

Rena Leddy

From: Rena Leddy
Sent: Tuesday, April 04, 2017 1:43 PM
To: Rena Leddy
Subject: Seats Available Treasures of L.A.
Importance: High

Fashion District Board,

Please let me know if you'd like to attend the Treasurers Luncheon. There are 8 seats available.

Thank you,

Rena





CENTRAL CITY
ASSOCIATION
OF LOS ANGELES



23rd ANNUAL TREASURES of LOS ANGELES

THURSDAY, MAY 11, 2017

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11 a.m. Reception | **Noon** Luncheon & Awards Program

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HONOREES



Andy Bales
CEO, Union Rescue Mission



Brandon Beck
Co-Founder, Chairman & CEO
Riot Games



Lt. Gen. Samuel A. Greaves
Commander, Los Angeles
Air Force Base



Tim Gunn
Author, Executive & Emmy-winning
Project Runway Co-host



Sue Laris
Founder & Editor, Los Angeles
Downtown News

EMCEE

Herb J. Wesson, Jr.
President, L.A. City Council

CCA's **23rd Treasures of Los Angeles** is approaching quickly on **May 11 at the Westin Bonaventure Hotel & Suites**. Join Jessica Lall, CCA's President & CEO, and more than 1,000 guests and elected officials as we recognize this year's honorees, including **Andy Bales**, Union Rescue Mission; **Brandon Beck**, Riot Games; **Lt. Gen. Samuel A. Greaves**, Los Angeles Air Force Base; **Tim Gunn**, *Project Runway*; and **Sue Laris**, founder of *Los Angeles Downtown News*, for their remarkable contributions to our community.

REMINDER: Tribute Journal Ad assets are due April 24, 2017.
For full event details, visit ccala.org/treasures.



RSVP

GET DIRECTIONS

Questions?

Please do not hesitate to contact Joella Hopkins at jhopkins@ccala.org or 213.416.7527.



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626 Wilshire Boulevard, Suite 200 Los Angeles, CA 90017

Rena Leddy

From: Rena Leddy
Sent: Thursday, March 30, 2017 8:45 AM
To: 'Ariana Gomez '; 'Elmer Pacheco '; 'Jackie Sanchez'; 'Jasmine Ramos'; 'Jose Gonzalez'; 'Randy Tampa'; 'Rena Leddy '
Subject: Vote TODAY at Fashion BID office
Importance: High

A reminder to come vote on the Skid Row Neighborhood Council proposal **TODAY**.

Learn more about the proposed changes to the Downtown Neighborhood Council and this election here:

<http://urbanize.la/post/voting-begins-skid-row-neighborhood-council-petition>

If you are in the district please stop by the BID offices from 11-2 to vote.

Bring your employees, tenants, etc.

You can register and vote at the same time.

Rena Masten Leddy, Executive Director
LA Fashion District
110 E 9th Street Suite A 1175
Los Angeles, CA 90079

tel: 213-488-1153 x 712

fax: 213-488-5159

cell: 310-600-3247

www.fashiondistrict.org

Rena Leddy

From: Rena Leddy
Sent: Thursday, April 06, 2017 3:38 PM
To: 'Ariana Gomez '; 'Elmer Pacheco '; 'Jackie Sanchez'; 'Jasmine Ramos'; 'Jose Gonzalez'; 'Randy Tampa'; 'Rena Leddy '
Subject: Advocacy Agenda at State
Attachments: CDA Legislative Committee Agenda 4-7-171.pdf

Fashion District Board and Renewal Committee Members,

In light of our recent conversations at the Board Retreat and the Renewal Committee meeting, I am attaching the CDA Legislative Report. Most of you know that we belong to the California Downtown Association. In fact, in the past we've been represented on the Board. This statewide professional organization has a lobbyist on retainer to work on issues that affect downtown communities. I sit on this committee along with other Los Angeles area BIDs. Attached is the most recent legislative report to the committee. This group has successfully fought the "Right to Rest Act" for 4 years straight but building an important coalition with downtowns and city center organizations, law enforcement and city agencies across the state.

You'll see that there are bills on the agenda related to building more housing, crime, anti-growth measures, homelessness, rental housing, taxes, and CEQA reform.

If you have any specific questions about the attached, give me a call next week. I'll be out of the office Friday and Monday.

Rena

Rena Masten Leddy, Executive Director
LA Fashion District
110 E 9th Street Suite A 1175
Los Angeles, CA 90079

tel: 213-488-1153 x 712

fax: 213-488-5159

cell: 310-600-3247

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Rena Leddy

From: Rena Leddy
Sent: Thursday, April 13, 2017 4:43 PM
To: 'Ariana Gomez '; 'Elmer Pacheco '; 'Jackie Sanchez'; 'Jasmine Ramos'; 'Jose Gonzalez'; 'Randy Tampa'; 'Rena Leddy '
Subject: Fashion District Board Meeting Packet
Attachments: Articles Packet 4.2017.pdf; April 2017 Board Agenda and Packet.pdf

Fashion District Board,

Attached is the Board Agenda and Packet for next Thursday's Board Meeting on 4/20/2017 at 11:45 AM.

A few items to note:

1. I will hand out the minutes (Attachment 1) at the meeting.
2. There are two important presentations:
 - a. Audit
 - b. Presentation on a proposed East –West Transit Corridor to connect South Park, Fashion District and Arts District
3. The Executive Director's Report (Attachment 4) has information in it that may not be covered at the meeting due to time restraints. Please review and call me if you have any questions.
4. I've attached a packet of various articles on downtown and the retail & housing climates, which may be of interest to you.

Please RSVP to jasmine@fashiondistrict.org for lunch head count.

Thank you!

Rena

Rena Masten Leddy, Executive Director

LA Fashion District
110 E 9th Street Suite A 1175
Los Angeles, CA 90079

tel: 213-488-1153 x 712

fax: 213-488-5159

cell: 310-600-3247

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Rena Leddy

From: Rena Leddy
Sent: Tuesday, March 28, 2017 3:03 PM
To: Rena Leddy
Subject: FW: Skid Row Election Pop up Poll
Importance: High

We just got confirmed for a pop up poll for the Skid Row Neighborhood Council (SRNC) Election:

Thursday, March 30 from 11 am - 2 pm

LA Fashion District BID
110 E 9th Street Suite A 1175
Los Angeles, CA 90079

This election is open to all stakeholders within the boundaries of the Downtown Neighborhood Council, the Historic Cultural Neighborhood Council and the proposed SRNC (proposed boundaries are from Main to Alameda and 3rd to 7th Street).

People will be able to register and vote right here on Thursday. **Please help us get the word out and send folks over to vote.**

If you can't make it on Thursday:

1. Vote Online beginning 3/28 at 5 p.m. (register here: <http://empowerla.org/elections/srnc17/>)
2. Vote in person:
 - On 4/3 between 11 – 2 p.m. at Downtown Industrial BID, 725 Crocker Street, LA, CA 90021
 - On 4/6 between 3-7 p.m. at James Wood Community Center, 400 east 5th Street, LA, CA 90021

Voters will need the following documentation:

- A photo ID that establishes your identity
- Documentation that shows that you live, work, own or have ongoing participation locally (in some cases, your photo ID may cover both requirements). Whatever you provide must show an address within the Neighborhood Council boundaries. For more information, see: https://docs.google.com/document/d/1H9rSoAaEVR2yqR9uIVdzOGchIC3jz3I_7hSEuc8kkw/edit

Rena Masten Leddy, Executive Director
LA Fashion District
110 E 9th Street Suite A 1175
Los Angeles, CA 90079

tel: 213-488-1153 x 712
fax: 213-488-5159
cell: 310-600-3247
www.fashiondistrict.org

Rena Leddy

From: Rena Leddy
Sent: Friday, April 14, 2017 11:14 AM
To:

Subject: Los Angeles Street Project - 2-week schedule: 4/17 to 4/28
Attachments: CONSTRUCTION SCHEDULE 0417-0428.pdf

As of 4/14, BSS will have completed the scope of work for Fashion District Phase 2 for both sides of the block from Olympic to 9th. CMC loading area driveway was excluded from our work due to unforeseen conditions below the sidewalk.

We will continue on work on the east side of Los Angeles St. from 9th St. to 8th St. Although not shown on our 2-week look ahead, the intersection of Olympic and Los Angeles will be resurfaced and re-profiled at night during the weekend of 4/22.

Please see attached 2-week look ahead.

As always Rena, Nate,
Would it be possible to post this information for distribution to the community and/or the affected owners/tenants.

Thanks.

--

Nishith Dhandha
Engineering Division | Landscape Architect
Bureau of Street Services | Department of Public Works
1149 South Broadway, 4th Floor
Los Angeles, CA 90015
O: (213) 847.0974 | E: nishith.dhandha@lacity.org



Rena Leddy

From: Rena Leddy
Sent: Wednesday, March 29, 2017 4:01 PM
To: 'Ariana Gomez '; 'Elmer Pacheco '; 'Jackie Sanchez'; 'Jasmine Ramos'; 'Jose Gonzalez'; 'Randy Tampa'; 'Rena Leddy '
Subject: Reminder: Vote Tomorrow at Fashion BID office

A reminder to come vote on the Skid Row Neighborhood Council proposal tomorrow/Thursday.

If you are in the district please stop by the BID offices from 11-2 to vote.

Bring your employees, tenants, etc.

You can register and vote at the same time.

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Los Angeles, CA 90079

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LA Fashion District BID Board of Directors Meeting

Thursday, April 20, 2017 at 11:45 a.m.

110 E 9th St Suite A-1175, Los Angeles, CA 90079

AGENDA

1. Public Comment
2. Welcome & Introductions
3. Approval of Minutes: February 16, 2017 Attachment 1
4. Financial Committee Report
 - a. Presentation: DRAFT 2016 Audit & Financials by Fabio Vasco, CPA
 - b. **ACTION ITEM: Approve the Audit for FY '16** Attachment 2
 - c. Review March 2017 YTD Financials
5. Presentation: East-West Downtown Transit Corridor by Josh Kreger, Director of Real Estate & Planning, South Park BID (Proposal to Connect South Park, Fashion, Arts Districts)
6. Chairman's Report,
 - a. Summary of the Board Retreat Attachment 3
 - b. Resignation from the Board, Debbie Welsch
7. Renewal Committee Report – L. Becker
8. Executive Director's Report Attachment 4
 - a. LA Treasures Event Attendees – May 12th
 - b. DTLA 2040 Community Plan Attachment 5
 - c. CCA Advocacy Agenda Attachment 6
 - d. **POSSIBLE ACTION ITEM:** Motion to Approve Contributing to the Cost of Santee Alley Restroom Maintenance Attachment 7
 - e. Miscellaneous Items to Report
9. New Business
10. Adjourn

The agenda and information materials are available for review in the BID office at the address below.

Next Board Meeting date*:

May 18, 2017

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and upon request will provide reasonable accommodation to ensure equal access to its programs, services, and activities. Sign language interpreters, assisted listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability of services, please make your request at least 3 business days (72-hours) prior to the meeting by Kent Smith at (213) 488-1153 x 712.

Draft Issued 4/12/17

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
(A Non-profit Corporation)**

FINANCIAL STATEMENTS

**Year Ended December 31, 2016
(With comparative totals for 2015)**

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Los Angeles, California

We have audited the accompanying financial statements of Downtown Los Angeles Property Owners Association, dba LA Fashion District Business Improvement District (the "Association") (a California nonprofit corporation) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Prior Year Financial Information

The 2015 financial statements were reviewed by us, and our report thereon, dated March 7, 2016, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Certified Public Accountants
April 6, 2017

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**
Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	<u>2016</u> Audited	<u>2015</u> Reviewed
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$ 1,356,562	\$ 975,342
Assessments Receivable, net of reserve for uncollectable assessments of \$14,934 and \$32,400, for 2016 and 2015, respectively (Note 2)	-	-
Prepaid Expenses and Other Assets (Note 4)	<u>114,201</u>	<u>130,083</u>
Total Current Assets	<u>1,470,763</u>	<u>1,105,425</u>
Cash Investments - Other (Note 3)	<u>240,000</u>	<u>723,943</u>
Property and Equipment (Note 2):		
Field Equipment	305,015	369,648
Website	63,106	63,106
Leasehold Improvements	32,341	32,341
Computers	25,491	49,774
Furniture and Fixtures	<u>22,888</u>	<u>22,888</u>
	448,841	537,757
Less Accumulated Depreciation	<u>(343,784)</u>	<u>(341,831)</u>
Net Property and Equipment	<u>105,057</u>	<u>195,926</u>
Total Assets	<u><u>\$ 1,815,820</u></u>	<u><u>\$ 2,025,294</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 157,385	\$ 246,997
Trust Account - 8th and San Pedro Median Project	22,682	22,529
Deferred Website Advertising Revenue	<u>9,630</u>	<u>-</u>
Total Current Liabilities	<u>189,697</u>	<u>269,526</u>
Commitments (Note 8)	-	-
Unrestricted Net Assets (Note 5):		
BID Fund Balance	1,022,538	1,112,108
North Santee Alley Overlay Fund Balance	65,715	64,921
Board-Designated for BID Renewal	100,000	100,000
Board-Designated for MTA Grant Match	147,813	147,813
Board-Designated for Future Capital Equipment Purchases	185,000	135,000
Investment in Existing Property and Equipment	<u>105,057</u>	<u>195,926</u>
Total Unrestricted Net Assets	<u>1,626,123</u>	<u>1,755,768</u>
Total Liabilities and Net Assets	<u><u>\$ 1,815,820</u></u>	<u><u>\$ 2,025,294</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Statement of Activities
Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	2016	2015
	Audited	Reviewed
BID REVENUES (Note 2):		
Assessment Revenue:		
Business Improvement District - Assessments	\$ 3,170,921	\$ 3,044,516
Collection of Prior Years' Unpaid Assessments	30,928	8,010
Collection of Penalties and Interest	11,551	1,879
General Benefit Revenue	75,479	107,109
Special Events Revenue and Sponsorships	18,500	17,055
Merchants & Food Vendors Trash Pick-Up	13,618	15,455
Investment Income	16,561	15,059
Other Revenues	18,459	19,792
BID Revenues Sub-Total	<u>3,356,017</u>	<u>3,228,875</u>
OVERLAYS REVENUES (Note 2):		
North Santee Alley Overlay Assessments	270,681	231,382
North Santee Alley General Benefit Rev	6,978	12,577
South Santee Alley Overlay Assessments (pass-thru)	284,543	213,466
South Santee Alley General Benefit Rev (pass-thru)	6,534	11,700
Overlays Revenues Sub-Total	<u>568,736</u>	<u>469,125</u>
Total Revenues	<u>3,924,753</u>	<u>3,698,000</u>
BID EXPENSES (Note 2):		
Cleaning	1,553,389	1,496,671
Safety	1,166,553	1,227,314
Management	222,209	226,960
Communication	194,728	176,485
Special Projects	155,235	191,431
Provision for Uncollectable Assessments	87,907	91,988
Depreciation and Amortization	74,174	75,879
City and County Collection Costs	32,262	30,977
BID Expenses Sub-Total	<u>3,486,457</u>	<u>3,517,705</u>
OVERLAYS EXPENSES (Note 2):		
North Santee Alley Overlay	276,864	293,534
South Santee Alley Overlay (pass-thru)	291,077	225,166
Overlays Expenses Sub-Total	<u>567,941</u>	<u>518,700</u>
Total Expenses	<u>4,054,398</u>	<u>4,036,405</u>
(Decrease) in Net Assets	(129,645)	(338,405)
UNRESTRICTED NET ASSETS - Beginning of Year	<u>1,755,768</u>	<u>2,094,173</u>
UNRESTRICTED NET ASSETS - End of Year	<u><u>\$ 1,626,123</u></u>	<u><u>\$ 1,755,768</u></u>
Supplemental Note:		
(Decrease) in Net Assets (Excluding Overlays)	<u><u>\$ (130,440)</u></u>	<u><u>\$ (288,830)</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	<u>2016</u> Audited	<u>2015</u> Reviewed
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (129,645)	\$ (338,405)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents (Used-in) Operating Activities:		
Depreciation and Amortization	74,174	75,879
Gain on Sale of Equipment	(1,381)	(9,600)
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	15,882	50,301
Accounts Payable and Accrued Expenses	(89,612)	38,021
Deferred Website Advertising Revenue	9,630	-
Trust Account - 8th and San Pedro Median Project	153	244
	<u> </u>	<u> </u>
Net Cash and Cash Equivalents (Used-in) Operating Activities	<u>(120,799)</u>	<u>(183,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemptions/(Purchases) of Investment CDs	483,943	494,057
(Purchases) of Equipment	(1,324)	(124,937)
Proceeds from Sale of Equipment	19,400	9,600
	<u> </u>	<u> </u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>502,019</u>	<u>378,720</u>
Net Increase in Cash and Cash Equivalents	381,220	195,160
CASH AND CASH EQUIVALENTS, beginning of year	<u>975,342</u>	<u>780,182</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,356,562</u></u>	<u><u>\$ 975,342</u></u>

SUPPLEMENTAL CASH FLOW DISCLOSURE INFORMATION:

The Association disposed of certain equipment during 2016 and 2015 with original costs of \$90,239 and \$72,668, respectively.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2016**

(1) NATURE OF ORGANIZATION

Downtown Los Angeles Property Owners Association, (the "Association"), doing business as LA Fashion District Business Improvement District, is a 501(c)(6) tax-exempt nonprofit mutual benefit corporation dedicated to helping the community be a clean, safe, and friendly place to work, shop, do business and live through cleaning, safety and marketing programs. Launched in January 1996, the LA Fashion District Business Improvement District ("BID") was the first property-based BID in Los Angeles.

A 15-member Board of Directors, consisting of LA Fashion District property owners, administers the management of the BID. A 7-member management team directs the day-to-day operation of BID programs and serves as a liaison between city government and property owners.

The specific purpose of the Association is to advocate, facilitate and/or direct improved public safety, sidewalk, graffiti and streetscape cleaning programs, and other projects that contribute to a cleaner, safer, well-managed section of Los Angeles known as the Fashion District. The Association consists of property owners located within the Fashion District's 100 block BID.

The Association's viability and its revenues depend upon renewal of the BID by the member property owners and the Los Angeles City Council (the "City"), and continuation of a performance agreement with the City to administer the BID funds and services in accordance with the Management District Plan. The City Council approved a fifth renewal of the BID for a five-year term beginning January 1, 2014 through December 31, 2018.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Reclassification

Certain prior year account balances may have been reclassified to conform to the current year presentation or to more accurately present the nature of the account balances.

Revenue Recognition

Revenues are recorded when earned and consist of real estate special assessments levied on properties based on location and benefits received, as approved by property owners and the City of Los Angeles in the Management District Plan.

Parcels with footage fronting the North Santee Alley, ("NSA"), pay added assessments to fund additional services inside the NSA as a separate overlay under the Management District Plan. The 2016 Revenue was composed of \$270,681 billed overlay assessments and \$6,978 General Benefit funds paid by the City. The 2015 Revenue was composed of \$231,382 billed overlay assessments and \$12,577 General Benefit funds paid by the City for years 2015 and 2014. The Association keeps in its checking account any NSA Reserve Funds.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Parcels with footage fronting the South Santee Alley pay added assessments to fund additional services inside the South Santee Alley as a separate overlay under the Management District Plan. Under agreement between the Association and the Santee Maple Alley Association, ("SMAA"), the Association receives overlay assessments from the City and fully transfers these overlay assessments to SMAA as a pass-thru. The 2016 Revenue was composed of \$284,543 billed overlay assessments and \$6,534 General Benefit funds paid by the City. The 2015 Revenue was composed of \$213,466 billed overlay assessments and \$11,700 General Benefit funds paid by the City for years 2015 and 2014. The SMAA keeps its own checking account and any SMAA accumulated reserve funds.

The City and County of Los Angeles coordinate the levy and collection of all current-year assessments and prior years' unpaid assessments, penalties and interest, which for the years ended December 31, 2016 and 2015 totaled \$3,213,400 and \$3,054,405, respectively (excluding the Santee Alley Overlays). The costs directly associated with the administration of this program were reimbursed to the City and County of Los Angeles, \$32,262 and \$30,977 for the years ended December 31, 2016 and 2015,

Assessments Receivable and Allowance for Doubtful Accounts

Management believes that uncollected assessments relating to certain parcels may not be collected and, accordingly, has established reserves for uncollectable assessments receivable. The Association's policy, consistent with industry practice, is to reserve 100% of unpaid assessments receivable. At December 31, 2016 and 2015, the reserves for uncollectable assessments receivable were \$14,934 and \$32,400, respectively and composed of only outstanding private-parcel assessments.

General Benefit Revenue

Per the 2014 through 2018 Management Plan, the 2016 and 2015 billed assessments (excluding the Overlays) were reduced by \$76,735 and \$73,670 or 2.42%, respectively for the estimated General Benefit component within the Service Programs. The Association is required to use "non-assessment" funds to pay for the General Benefit component. However, for years 2016 and 2015 the City of LA reimbursed the Association for these funds amounting to \$75,479 and \$107,109, respectively. The amount received in 2015 was for 2015 plus a partial balance owed for 2014. The City paid the 2016 revenue but at the 2014 base amount due to the City's interpretation of the Management Plan.

Other Revenues

For the years ended December 31, 2016 and 2015, the Association received Other Revenues of \$18,459 and \$19,792, respectively derived from revenue from merchants to advertise on the Association's website, gains from retired equipment and other miscellaneous receipts.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2016**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments that subject the Association to potential concentration of credit risk consists principally of cash and cash equivalents, money market accounts and investments in certificates of deposit. The Association maintains its cash, money market accounts and investments in Union Bank, Merrill Lynch and HAB Bank. Bank balances and money market accounts are subject to coverage by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) up to statutory limits and by other bank-provided private insurance.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank, money market accounts and short-term (maturing in three months or less as of year-end) certificates of deposit.

Property and Equipment

Property and equipment is depreciated using the straight-line method over the estimated useful lives (3 to 5 years) of the individual assets. Leasehold improvements are amortized over the estimated useful lives, or the term of the related leases, whichever is shorter, using the straight-line method.

Advertising

The Association expenses all costs of advertising and promotion as incurred. Such costs were \$4,528 and \$4,815 for years 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Legal Assertions

Various claims, generally incidental to the conduct of normal business, are pending or threatened against the Association from time to time. While ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolutions will not have a materially adverse effect on the financial condition of the Association.

Subsequent Events

The Association has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 6, 2017, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**
Notes to Financial Statements
Year Ended December 31, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair Value Standards under FASB Accounting Standards Codification (ASC) 820-10 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Quoted market prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(3) CASH AND CASH EQUIVALENTS AND INVESTMENTS FAIR VALUE MEASUREMENTS

At December 31, 2016 and 2015, the Association had cash and cash equivalents and investments as follows:

<u>Cash and Cash Equivalents</u>	2016	2015
Certificates of Deposit (yield rates 0.40% - 1.00%)	\$ 738,000	\$ 489,000
Money Market Account - Merrill Lynch	544,571	437,278
Money Market Account - 8th & S. Pedro Trust Acct	22,682	22,529
Checking Accounts - Union Bank	50,309	25,535
Petty Cash	1,000	1,000
	<u>1,356,562</u>	<u>975,342</u>
<u>Cash Investments - Other</u>		
Certificate of Deposit (yield rate 1.20%), with maturity dates longer than 3 months.	240,000	723,943
Total	<u>\$ 1,596,562</u>	<u>\$ 1,699,285</u>

The Certificates of Deposit and Investments-Other at December 31, 2016 had maturities in January 2017 through August 2017 and are planned to be held to maturity. At December 31, 2016 and 2015, the certificates of deposit and investments-other are classified as Level 2 assets, and there were no transfers in or out of Level 2 during the year.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

Notes to Financial Statements

Year Ended December 31, 2016

(4) PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets at December 31, 2016 and 2015 were as follows:

	2016	2015
Collected Assessments to be Remitted by the City of LA	\$ 27,690	\$ 27,668
General Benefit Revenue to be Remitted by the City of LA	-	42,395
Prepaid Insurance	35,361	33,667
Other Receivables	27,560	4,497
Prepaid Rent	9,219	8,947
Refundable Deposits	5,600	5,600
Other Prepaid Expenses	8,771	7,309
Total	<u>\$ 114,201</u>	<u>\$ 130,083</u>

(5) UNRESTRICTED NET ASSETS

The Association allocates certain unrestricted net assets to Board-Designated reserves to facilitate the spending policies established by the Board of Directors. The net assets and changes therein have been classified and are reported as follows:

- BID Fund Balance - In accordance with the State of California Streets and Highways Code Section 36741, the Association is required to disclose the amount of any BID funds balance to be carried over from a previous fiscal year. Accordingly, the Association is carrying over an unspent BID funds balance of \$1,022,538 from 2016 to 2017 and carried over \$1,112,108 from 2015 to 2016. These funds are being used to supplement the annually billed BID assessments to meet operating needs.
- North Santee Alley Overlay Fund Balance - The Association is carrying over an unspent funds balance of \$65,715 from 2016 to 2017 and carried over \$64,921 from 2015 to 2016. These funds are being used to supplement the annually billed North Alley Overlay assessments to meet operating needs.
- Board-Designated for BID Renewal - As of December 31, 2016 and 2015, the Board has designated a \$100,000 reserve to be used for the next BID Renewal.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2016**

(5) UNRESTRICTED NET ASSETS (CONTINUED)

- Board-Designated for MTA Grant Match - The Board has designated \$100,000 to be used to obtain \$1.3 million in funding for streetscaping from Olympic Boulevard to Pico Boulevard and from Santee Street to Maple Street (Phase 1); (in 2013, \$2,187 was spent from this reserve to set up a system of removable vehicle-stopping poles at the entrances of the North and South Santee Alleys, leaving \$97,813), plus \$50,000 to obtain \$1.6 million in funding for future streetscaping on Los Angeles Street between 7th Street and Olympic Boulevard (Phase 2).
- Board-Designated for Future Capital Equipment Purchases - As of December 31, 2016 and 2015, the Board has designated \$185,000 and \$135,000, respectively for acquisition of capital equipment in subsequent years through 2018.
- Investment in Existing Property and Equipment - Investment in property and equipment represents the carrying value of property and equipment, at cost, net of accumulated depreciation and amortization.

(6) FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the years ended December 31, 2016 and 2015 are as follows:

	2016		2015	
Program	\$ 3,264,248	93.6%	\$ 3,290,745	93.5%
Management	222,209	6.4%	226,960	6.5%
Total Functional Expenses	3,486,457	100%	3,517,705	100%
North Santee Alley Overlay	276,864		293,534	
South Santee Alley Overlay	291,077		225,166	
Total Overlay Expenses	567,941		518,700	
Total Expenses	\$ 4,054,398		\$ 4,036,405	

(7) RETIREMENT PLAN

The Association sponsors a defined contribution SIMPLE IRA retirement plan covering all of the Association's employees, after one year of employment. The plan allows employee contributions up to statutory limits and employer matching contributions up to 3% of employees' compensation. For the years ended December 31, 2016 and 2015, the Association made contributions to the plan totaling \$20,718 and \$16,718, respectively.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT**

**Notes to Financial Statements
Year Ended December 31, 2016**

(8) LEASE COMMITMENTS

In December 2013, the Association entered into an operating lease agreement with a related party for its administrative office for a five-year term, ending on February 28, 2019. Under the provisions of the lease, in 2016 the Association made monthly rental payments of \$1,910, subject to a 3% increase per year. See also Note 11, Related Party Transaction.

In January 2014, the Association entered into an operating lease agreement with an unrelated party for its field office for a five year term, ending on February 28, 2019. Under the provision of the lease, in 2016 the Association made monthly rental payments of \$5,709, subject to a 3% increase per year.

In January 2014, the Association entered into an operating lease agreement with an unrelated party for use of a vacant lot to park personnel vehicles and to store trash roll-off containers for a five year term, ending on January 31, 2019. Under the provision of the lease, in 2016 the Association made monthly rental payments of \$1,600, subject to a fixed \$50 increase per year.

Future minimum lease payments are as follows:

Year ending December 31,	Facilities leases	Lot used for vehicle parking & trash bins	Totals
2017	\$ 93,712	\$ 19,750	\$ 113,462
2018	96,522	20,350	116,872
2019	16,165	1,700	17,865
	<u>\$ 206,399</u>	<u>\$ 41,800</u>	<u>\$ 248,199</u>

Facilities rent expense for the years ended December 31, 2016 and 2015 was \$90,984 and \$88,331, respectively.

(9) INCOME TAXES

The Association is exempt from taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), and from federal and state income taxes under Section 501(a) of the IRC and corresponding sections of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The Association's federal income tax returns for tax years 2013 and beyond remain subject to examination by the Internal Revenue Service. The returns for California, its only state jurisdiction, remain subject to examination by state taxing authorities for the tax years 2012 and beyond.

**DOWNTOWN LOS ANGELES PROPERTY OWNERS ASSOCIATION
DBA LA FASHION DISTRICT BUSINESS IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2016**

(10) MAJOR VENDORS

For the years ended December 31, 2016 and 2015, approximately 61% and 53%, respectively of the Association's expenses (not including the Santee Alley Overlays) were from two major vendors: Chrysalis (cleaning services) and Universal Protection Service LP (safety services) amounting to \$2,131,243 in 2016 and \$2,034,872 in 2015. At December 31, 2016 and 2015, there were \$110,102 and \$124,300, respectively due to these vendors, which were included in accounts payable and accrued expenses in the Statements of Financial Position.

(11) RELATED PARTY TRANSACTION

The Association's Board of Directors has a conflict of interest policy in place that is intended to assure the Association stakeholders that the decisions of the Association are made objectively and with full knowledge of the involvement, if any, of the Board of Directors and staff. At times during the course of the year, the Association may determine that doing business with a Board member is in the best interest of the Association. In accordance with the Association's bylaws, such transactions are reviewed and approved by the Association's Board of Directors, with the involved Director(s) recusing themselves from voting.

**Fashion District
Board of Directors Retreat
SUMMARY
March 31, 2017**

On March 31, 2017, the Board of Directors of The Downtown Fashion District held a Board Retreat. Objectives of the retreat included:

- Reflect on the work and progress of the organization;
- Consider priorities for the future; and
- Establish a Vision for the District.

The retreat was facilitated by Kathleen Rawson, CEO of Downtown Santa Monica.

Workshop attendees, including Fashion District Board and Staff members, included:

Board Members	Staff Members	Guests
Mark Chatoff	Ariana Gomez	Barry Gold
Laurie Sale	Jasmine Ramos	I Hassan
Laurie Rosen	Jackie Sanchez	
Linda Becker	Randall Tampa	
Mark Levy	Rena Leddy	
Jessica Lewensztain		
Brad Luster		
Steve Hirsh		
John Remeny		
Elisa Keller		
Matthew Haverim		

The agenda for the workshop included:

1. Goals and Objectives for the Day
2. Review of an online and telephone surveys of board and staff priorities
3. Discussion: Brainstorm on issues and advocacy and determine priorities
4. Discussion: Tactics to advance top priorities

A summary of all discussion items follows.

ISSUES & PRIORITIES

Kathleen summarized the outcome of the telephone and on line surveys taken in advance of the retreat. Following that summary, the group was asked to review and expand the list of priorities The Fashion District should focus on moving into renewal and the next generation of the District. The list included:

- Clean and Safe are two programs, not one
- Marketing (Consumer, economic development, acknowledgement of changes)
- DTLA 2040
- Advocacy
- Budget
- Residential
- Social services
- Vision
- Pedestrian, vehicular connectivity
- Infrastructure
- District center – identify core
- Managing uses
- Public space management
- Acknowledge and create diverse neighborhood: “We never go back the way we came, find a different route”

After developing and discussing a list of ideas, each participant was provided with five votes to apply to priorities. Votes could be applied cumulatively, individually or in any combination. Results follow:

PRIORITIES: TACTICS FOR MOVING FORWARD

The Board discussed tactics to advance each of the priority actions.

1. ADVOCACY

Taken together, advocacy issues are the overall top priority of the organization with 23 votes .

ADVOCACY	<ul style="list-style-type: none">• Public Space Management• Pedestrian Experience• DTLA 2040• Vehicular/Bike/Pedestrian Connectivity• Infrastructure	23 Votes
CLEAN AND SAFE	<ul style="list-style-type: none">• Increased cleanliness throughout the District• Homelessness/Anti-Social Behaviors• Real and Perceived Issues of Safety and Wellbeing	16 Votes
MARKETING	<ul style="list-style-type: none">• Consumer Marketing• Events/Social Media• Economic Development Marketing• Research (i.e. sales data, ped counts etc.)• Branding/Identity• Educational opportunities for Brokers, Owners and Businesspeople	17 Votes

The Board and staff understand the importance of advocacy in all of the work of the organization. They spend 40-60% of their time on building relationships and advocating on behalf of the Fashion District and see it as a key tool in some of the more fundamental issues facing the future.

With DTLA 2040 on the horizon, the Fashion District needs to be fundamentally proactive in the future of the District. Zoning modifications, allocation of public resources to address infrastructure issues, public benefit priorities, grants and partnerships were all discussed as integral to the future.

Action: The Board will create an ADVOCACY AGENDA outlining the main issues to pursue and dedicate time and resources to the effort.

2. CLEAN AND SAFE PROGRAM

The Board is increasingly concerned about the lack of funds to provide key clean and safe services. Over the years there has been little or no increase in assessments paid by property owners, therefore the program has suffered due to lack of funds. It was clearly acknowledged that the services were exceptional given the budget, however the re-investment is now more important than ever. In addition, the increase in anti-social behavior and issues related to street living further burdens the limited budget

Action: The Board sees the increase in assessment for these services as crucial to the future of the District, and will work with the property owner community in the renewal process to explain and encourage support for an expanded effort.

3. MARKETING

There was significant discussion on Marketing in the district, and general consensus that the BID should have a marketing plan to address both consumer and branding, as well as economic development marketing tools and programs. Again, the Board was willing to help the broader community understand these efforts as essential for the future of the District. Ideas included:

- Assemble data and market information to provide a nuanced understanding of downtown's markets, sub-markets, opportunities and challenges. Create a "State of the Fashion District" tool for economic development efforts.
- Consider specialized data collection options such as pedestrian counters
- Bring owners, brokers, tenants and others involved with the marketplace into discussions on what is best for the District.
- Conduct a Brand Study and Identity
- Continue and enhance consumer marketing via social media and other more traditional approaches.

Action: Create a Brand marketing plan and dedicate time and resources to implement the plan.

STATEMENT OF VISION EXERCISE

With the priorities of the organization clearly laid out, the discussion then moved to the overall vision and vision statement for the District. The Board came up with a list of words and phrases to help identify the aspirational vision of the District.

Those terms included:

- Dynamic economic zone
- Neighborhood feel
- Educational Initiatives
- Eat, live, play, work friendly
- Creative hub
- Diversity of workers – culturally
- Authentic DTLA experience
- Restaurants/entertainment district
- Build a community

Possible Vision Statements could include:

THE FASHION DISTRICT IS A CULTURALLY, SOCIALLY AND ECONOMICALLY DIVERSE COMMUNITY WITH RICH HERITAGE IN THE FASHION INDUSTRY; A DISTRICT THAT IS EVOLVING INTO A FUTURE THAT WILL INCLUDE RESIDENTIAL AND CREATIVE OPPORTUNITIES WHILE MAINTAINING ITS ROOTS OF FASHION.

Executive Director's Report – April 20, 2017

Advocacy

Neighborhood Prosecutor Meeting

Rena met with Central and Newton's Neighborhood Prosecutors. They work in City Attorney Mike Feuer's office. We discussed issues that are impacting the Fashion District such as the future of marijuana clinics, homeless encampments and sidewalk access. We will be meeting again to get more involved in any zoning or regulations related to the new laws legalizing marijuana and where shops will be located. Because the Fashion District doesn't have a lot of associations that other neighborhoods have (i.e. churches, schools, daycare centers, etc.) it may become a very attractive venue for these businesses.

Meeting with Assembly Member Miguel Santiago

Rena set up a meeting with Assembly member Santiago to introduce herself to him and discuss the various priorities of the Fashion District. They talked about homelessness and affordable housing as well as funding toward infrastructure improvements for the district. He lives in the Arts District and is very familiar with our neighborhood.

Meeting with LADOT re: San Pedro Safety Project and Streetscape Improvements

Rena met with LADOT to give input into improvements along San Pedro. As part of the City's safety program Vision Zero, San Pedro from Temple Street to 9th Street. Improvements include a installing a center left turn lane, upgrading existing crosswalks, installing a bike lane. We also discussed our strong wish that improvements would be made along 7th Street as well.

Homeless Policy Committee Meeting

Rena attended CCA's Homelessness Policy Committee, members heard from the Office of Mayor Garcetti and the Los Angeles Homeless Services Authority (LAHSA). The Mayor's office provided the new [protocols](#) related to LAMC 56.11 regarding sidewalks and the storage of personal belongings. The new protocols will be enforced by Hope Teams and managed by the City's Bureau of Sanitation. The Hope Teams are comprised of a Los Angeles Police Department officer, sanitation worker and representative from LAHSA. They are trained to provide outreach and offer services. The teams will be deployed based on service requests to 311.

We also learned about the new [protocols](#) related to vehicle dwelling. These protocols will sunset on June 30, 2018, as the City hopes to have more permanent housing and designated safe parking programs available. Lastly, the committee discussed storage facilities for homeless individuals' belongings across the city. Currently, the only facility is in Skid Row. Thanks to the passage of Proposition HHH, the City now has the resources to fund these facilities but needs development partners. The City has released a RFP

LAHSA provided an update on the existing San Julian Center Drop-in Center in Skid Row. The center will be renovated into a 30-40 bed crisis center for homeless adults with severe mental

illness and drug addiction. It will be a place where high-acuity homeless individuals can stay while permanent housing is being identified. LAHSA also shared the progress that has been made over the last year in increasing outreach teams, transitioning shelters to 24 hour a day operations, refining the Coordinated Entry System and fully staffing up now that resources are available.

Meeting with City Attorney Mike Feuer

Rena attended CCA's Executive Committee and heard City Attorney Mike Feuer. Feuer candidly shared his views on the Trump Administration's recent actions regarding the travel ban, provided a good overview about Special Order 40, and what the term "sanctuary city" actually means. Feuer strongly supports local law enforcement and believes Los Angeles is a safer city when law enforcement can work with the immigrant community without the fear of deportation. Special Order 40 codifies that LAPD officers will not initiate a contact to inquire about immigration status. This has been a standing policy for four decades. Feuer stated if the Trump administration withholds federal funding from Los Angeles based on Special Order 40, he is ready to litigate.

City Attorney Feuer called homelessness one of the most difficult issues since there are "legitimate conflicting interests." His office is playing a significant role by establishing homeless courts and appointing a contact person within his office. The mobile homeless court is being funded by a County of L.A. grant and allows homeless individuals to do community service instead of paying for a citation. This program serviced 1,300 people in its first year.

In addition, Feuer told the audience about a new program he is launching that will encourage existing motels to convert to housing for homelessness. He stated existing motels are good opportunities because they are already built and in many neighborhoods throughout the city. Motel owners should consider this opportunity because the city will provide a secure source of rental income and funds for capital improvements which can be viewed [here](#).

Meeting with Deputy Chief Arcos

Deputy Chief Arcos shared the real challenges LAPD officers face when working with homeless individuals and how the SMART, RESET and HOPE teams are helpful. These are multi-disciplinary teams that have experts on engaging mentally ill and substance-addicted people. The teams also have benefit experts who can assist homeless individuals get connected to housing, services and other resources. Some teams also have representatives from the City of Los Angeles Sanitation Department to assist with bulky items and encampments, as well as enforcement actions for blocked entrances and exits. The Clean and Safe Teams have been working with Sanitation in cleaning up the alleys in the district.

DTLA 2040- CCA Committee Meeting

Rena, Board members Chatoff and Levy and stakeholders Taban and Yamabee are working with the CCA DTLA 2040 Committee to address the proposed changes to the Community Plan and to

ensure that the Fashion District's interests are well represented. See the CCA Letter with our comments.

Clean and Safe

			Trash Tonnage Change		
	2016	2017	Tons	% Change	YTD % Change
Jan	182.21	223.44	41.23	22.6%	22.6%
Feb ¹	168.00	197.65	29.65	17.6%	20.2%
Mar	196.62	219.38	22.76	11.6%	17.1%
Total Tons	546.83	640.47	93.64	17.1%	
Daily Average	6.01	7.12			

Note 1: Feb/2017 had 28 days (wet winter) Vs. Feb/2016 (leap year) 29 days (was hottest Feb in LA on record)

Meetings with UPS

Staff has been meeting with UPS every other week to ensure that they provide the services that they promised. We are currently down two people but UPS feels confident that the positions will be filled quickly. Additionally, UPS is going to offer advanced training to our senior level Team members, LGBT training and they are working with Eponics to upgrade our handheld devices and data collection.

BID Safe Team Officer of the Year

BID Safe Team Officer Daniel Melendez was named LA Fashion District BID Safe Team Officer of the Year at the Central LAPD Booster's Luncheon earlier this month. Every year Central LAPD recognizes a safe team officer in each business improvement district of downtown. Officer Melendez was recognized for his hard work and dedication to the district.

5 New Bikes for Safe Team

The BID purchased five new bikes for the daytime BID Safety officers. The new bikes are replacements for older ones that were no longer performing up to standard.

The Sobering Center

The LA Fashion District Clean Team has begun working with the new Sobering Center at 640 Maple Ave, a 50-bed facility that offers chronically inebriated individuals that might otherwise be taken to an emergency room or jail, a safe and secure place. The Sobering Center is a 24-hour, 7-day operation with nursing care. Services are provided to medically stable clients and services are voluntary.

Prius on Patrol: Economizing & Optimizing the Clean & Safe Team Fleet

In an effort to economize and make our Clean & Safe fleet more sustainable, the Safe Team has acquired a Prius which now patrols the district in the evening and early morning hours. The first hybrid to be used by the BID, the Prius is currently getting over 40 MPG, an almost six fold increase in fuel economy compared to the truck that was being used previously. In addition to saving on fuel and maintenance, the Prius came in under the allocated budget for a new vehicle. The truck will now be used by the Clean Team for pressure washing. A water tank and pressure washer are to be installed.

Marketing & Communications

Fashion District Banners

After inventorying the district and determining where light poles exist and which ones would be the most appropriate to use to install banners, the District is hiring AAA banners. The installation should begin sometime in May.

Brand Marketing Plan

Ariana has spoken to 25 various brand and marketing companies about working with the Fashion District on creating a brand marketing campaign. We sent an RFP out and have received 9 proposals. Staff will narrow the proposals to 3-4 and ask them to give a presentation to the Image and Communications committee. We hope to do this before Ariana Leaves on her vacation in May.

Marketing Stats for February

- **Website**-Visitors: 52,927
- **Facebook**- New followers: 293; Total: 4,9043
- **Twitter**-New: 49; Total Followers: 9,436
- **Instagram**-New: 621; Total: 21,647
- **Pinterest**-New: 72; Total: 5,260
- **Snapchat**-Average views per post: 100

New Businesses

Artist Studio Spaces Available at New 939 Studio

A new co-working space has opened up in the Fashion District. There are 11 spaces, some private and some shared, at a variety of prices. They come with a few perks as well.

Visit 939.studio to see them and to apply for a room if you are an artist looking for work space.

Rossoblu Ready to Open at City Market

The much-anticipated Italian restaurant by Chef Steve Samson of Sotto is scheduled to open at City Market in the next couple weeks. Rossoblu will be the third business to open at City Market. It joins Cognoscenti Coffee and Lovestitch. Eater LA shared a photo tour of the site and has the latest update, [here](#).

Holy Grail

On April 7th, we celebrated the ribbon cutting for [Holy Grail](#), a sneaker consignment shop that opened at 836 S Los Angeles St. This is the second location for Holy Grail who first opened in South Park. The consignment shop specializes in unique and rare sneakers from Nike, Adidas, Vans, and more. Thank you to Council District 14 and their downtown staff for helping make the ribbon cutting possible! holygrailgoods.com

Guido in LA

Used, vintage, and consignment shop, Guido in LA, is now open at **126 W 7th St**. The shop carries women's and men's apparel footwear and accessories, home goods, and gifts.

Little Damage

Homemade soft serve ice cream with a side of mischief. Little Damage is now open at **700 S Spring St**! The ice cream is made with premium ingredients and offers vegan flavors. This is the first location to open and it's already a favorite on [Instagram](#).

Mermaid on Main

Oakland-based artist Hueman has a colorful new mural at 9th and Main Street. "Mermaid on Main" is the artist's largest mural to date.

Lovestitch at City Market

Lovestitch is a contemporary brand that mixes traditional California style for an understated bohemian look. The brand is sold across the country from department stores to independent boutiques.

23rd ANNUAL TREASURES of LOS ANGELES



Thursday, May 11, 2017

Westin Bonaventure Hotel & Suites

11 a.m. Registration & Networking Reception • Noon Luncheon & Awards Program

REGISTER

CCA's Annual Treasures of Los Angeles is the City's most distinguished event, created 23 years ago to celebrate the diversity, strength, and excellence within the City of Los Angeles. The event recognizes Angelenos who have made outstanding contributions in a variety of fields, including arts and culture, business, media, science, community service, education, entertainment, fashion, and sports. Join us and more than 1,400 of Los Angeles' top business, elected and civic leaders on **Thursday, May 11, 2017, at the Westin Bonaventure Hotel and Suites** to celebrate City heros - known and unknown - who have contributed to the rich fabric of Los Angeles.

Be among the great companies and top business leaders supporting CCA's biggest event of the year, including Host Sponsor Brookfield.

HONOREES



Lt. Gen. Samuel A. Greaves

Commander,
Los Angeles Air Force Base

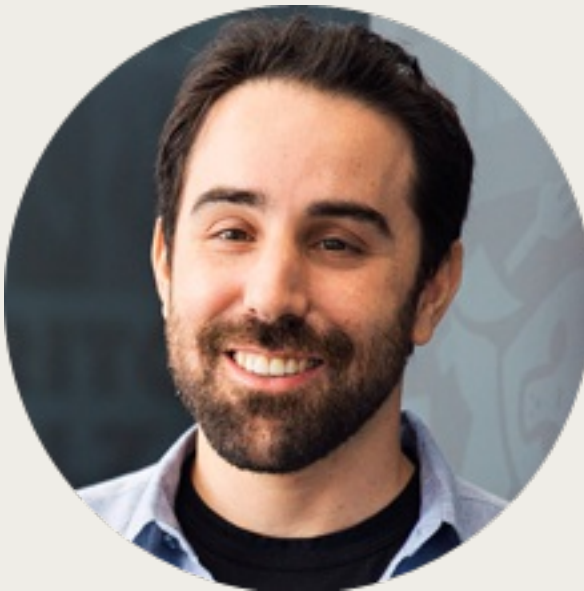
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Reverend Andy J. Bales, M.A.T.

CEO,
Union Rescue Mission

[MORE INFO](#)



Brandon Beck

Co-Founder, Chairman & CEO,
Riot Games

[MORE INFO](#)



Sue Laris

Co-Founder
Los Angeles Downtown News

[MORE INFO](#)



Tim Gunn

Author, Executive & Emmy-winning *Project Runway* Co-host

[MORE INFO](#)



Council President Herb J. Wesson, Jr. (Emcee)

10th District, Los Angeles City Council

[MORE INFO](#)

HOST SPONSORS





March 31, 2017

Bryan Eck
Los Angeles Department of City Planning
200 N. Spring Street
Los Angeles, CA 90012

Re: DTLA 2040

Dear Bryan,

Established in 1924, the Central City Association (CCA) advances policies and initiatives that support Downtown's vibrancy and investment in the region. We strongly support the DTLA 2040 effort and recognize it as an excellent opportunity to shape Downtown's growth.

We have formed a working group to evaluate the proposed General Plan Designations and offer this comment letter to assist City Planning in crafting a community plan that promotes housing production, job creation, and greater access to mobility, and equity.

Our comments are focused in the follow areas: Adaptability of General Plan Designations, Consistency of Downtown Planning Resources, and Supporting Downtown's Growth. The working group is continuing to meet and may submit additional comments to City Planning.

Adaptability of General Plan Designations (GPD)

Hybrid Industrial (HI GPD): CCA is concerned that this designation is too limited and will exclude a large area in Downtown from the development of 100% affordable housing projects and permanent supportive housing projects. The HI GPD only allows live/work units, which are expensive to build and rent or own.

We understand the intent of the live/work unit requirement is to retain jobs, producing uses in these areas, however we feel better mitigating policies may be a provision requiring a one-for-one job replacement when displacing jobs on previously industrially zoned land and removing job producing uses towards a project's FAR calculation. This was done in the recently adopted citywide Hybrid Industrial Live/Work Zone and could be used as a model.

CCA believes DTLA 2040 can both support the creation of new housing at all income levels while preserving and promoting jobs. In fact, CCA believes that Downtown must increase the supply of housing options affordable to workers, so companies can compete for the talent that drives our economy.

Markets (M GPD): Downtown is the region's center for growth and since 1999 our city center has added approximately 23,000 new residential units. We should support this trend and promote high-density residential uses. Downtown has the public transit infrastructure to

support new growth and it is the place in the city to meaningfully address the housing crisis. The intent of the M GPD is to preserve wholesale uses, while allowing for limited multi-family residential uses and live/work units. We are concerned that this designation is not taking into account what is actually happening in these areas or the lack of infrastructure to support wholesale uses. Wholesale is becoming an obsolete use and manufacturing and retail jobs are changing at a faster rate than ever before. We believe these areas must be allowed to evolve with maximum flexibility. They are the emerging areas of Downtown.

CCA proposes that the City try new approaches to promote Market areas, while allowing for new growth. We propose the allowance of the transfer of floor area rights between private entities. This could provide the incentive to help uses such as the Santee Alley remain, while creating a new use in close proximity. We also believe these areas would be the perfect places to test extending the concept of the Adaptive Reuse Ordinance (ARO) to commercial and industrial structures. ARO started as a pilot program in Downtown and we strongly believe Downtown is the place to try new approaches.

Villages (V GPD): We agree that these areas of Downtown are walkable, but also believe that standard must be extended across the entire DTLA 2040 area. Walkable areas are often characterized with ground-floor retail uses and that is an idea we'd like to expand upon. Schools, childcare facilities and hotels are all uses that also support walkable communities and we need to consider these uses in the Villages areas. There is a limit to how much retail can be absorbed in an area so diversifying ground-floor uses is a practical solution. The City may also consider incentives to locate schools and childcare facilities such as, allowing these spaces to not be counted toward the FAR calculation.

Jobs Preserve (JP GPD): Job creation must be our goal. This area should provide incentives to encourage new investment in Downtown. We believe much like the Market area the JP GPD could benefit from pilot projects. Again, we propose the allowance of the transfer of floor area rights between private entities and we also believe this area would also be ideal to extend the concept of the ARO to commercial and industrial structures.

In addition, to encourage job growth in the JP areas it is important to define manufacturing and warehousing in order to encourage manufacturing. It is more job rich and will discourage low job producing industrial uses like: pallet yards and scrap metal recycling.

Consistency of Downtown Planning Resources

The Greater Downtown Housing Incentive Area ordinance has two key provisions: it eliminates density calculations and allows for the FAR to be calculated by utilizing the leasable area. This ordinance has successfully encouraged high-density development in Downtown and these provisions should be incorporated throughout DTLA 2040, except in the Multi-Family Residential Neighborhood and Job Preserve GPD areas.

The Transfer of Floor Area Rights (TFAR) ordinance has been another successful tool for Downtown development and we believe it could serve as a model for the transference of air rights between private properties. Currently, the TFAR ordinance only allows area rights to be

sold from the Los Angeles Convention Center to a private development in certain areas of Downtown. Expanding the reach of a TFAR program could be a valuable tool to create new jobs, more housing, green space and to preserve historic structures.

We also understand there will be community benefits associated with DTLA 2040 and we must work to align those with the TFAR ordinance. We should not have duplicative and conflicting requirements. Additionally, we must coordinate TFAR and the community benefits related to up zoning in DTLA 2040 with other pending initiatives like Affordable Housing Linkage Fee and the existing Park Fee.

Supporting Downtown's Growth

DTLA 2040 is our chance to think big and positively move Downtown toward the next generation of growth. To that end we believe parking requirements should be eliminated. We know Downtown is one of the most over-parked Downtown's in the world and we need to stop this pattern if we are going to grow responsibly. Let's embrace Downtown's rich transit and walkable neighborhoods. CCA also supports allowing offsite parking for residential uses similar to what is currently allowed for commercial uses and we would like to work on the concept of shared parking throughout Downtown.

We also believe DTLA 2040 should establish a relationship to the Housing Element in order to encourage housing production. Tracking housing production based on the need identified in the Housing Element will give us an important tool to evaluate if the permitting process needs to be refined. Additionally, we want a mechanism that tracks housing production across the city to insure that all neighborhoods are participating in housing production at all income levels. The Downtown Industrial Neighborhood cannot continue to be the city's primary area to locate new homeless services and housing.

Finally we believe DTLA 2040 must have clear language around entitlements and vesting so projects that are applying for entitlements now are not held to two standards later when DTLA 2040 is finalized.

Thank you for your consideration and we look forward to our continued work together on DTLA 2040.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Hall". The signature is fluid and cursive, with the first letter "J" being large and prominent. It is located at the bottom left of the page, below the "Sincerely," text.

Jessica Lall
President & CEO

Cc: Councilmember Jose Huizar, Council District 14
Vince Bertoni, Director, City Planning
Ray Chan, Deputy Mayor, Office of Mayor Eric Garcetti

DRAFT



CCA'S DRAFT VISION AND ADVOCACY PRIORITIES

INTRODUCTION

CCA is moving into the future with a commitment to not only lead – but to also serve as a convener and collaborator with business, government, elected and appointed leaders, residents, educational institutions, nonprofits and other organizations and individuals – to advance policies and initiatives that enhance Downtown's vibrancy and increase investment in the region. CCA is dedicated to building on DTLA's successes and expanding its role as the region's leader on city centers.

This draft document is intended to serve as the framework to guide CCA's advocacy priorities and to set priorities for its resource allocations. The framework will also help CCA set the policy agendas for its standing committees so that the organization can grow its role as the leading advocate and coalition-builder on the issues that matter most to DTLA and the region.

CCA will be seeking input from its members regarding this framework. Once the priorities are finalized through this process, each advocacy priority will be further refined by developing an implementation strategy and communications plan.

CCA'S DRAFT MISSION STATEMENT

CCA's mission statement has not been updated for several years and, with new leadership at CCA, there is an opportunity to revise our mission statement to better reflect our goals. The draft statement for consideration:

The Central City Association advances policies and initiatives that enhance Downtown's vibrancy and increase investment in the region.

CCA'S DRAFT ADVOCACY PRIORITIES

Objective I: Planning for DTLA's Future

CCA will lead all efforts to plan for DTLA's future. Our city center is the place where people converge, discuss ideas, and discover new connections. Downtown is the region's center for growth, and we must embrace the role that development plays in animating the social fabric of Downtown and, by extension, the City of LA.

DTLA 2040, which is the merging and update of the Central City North and Central City Community Plans, is an excellent opportunity for CCA to play a leading role in shaping Downtown's growth. Our goal is to drive the conversation surrounding this effort.

We will also be highly engaged in the update of the Downtown Design Guidelines to promote high-quality development. We recognize the need to reach out to Downtown residents about the benefits of long-range planning and the impacts of new development. We are committed to engaging residents in this process.

CCA will utilize our Housing, Land Use and Development Committee and DTLA 2030 Committee to plan for Downtown's future.

Objective II: Supporting Thriving Businesses and Institutions

Downtown is the region's center for growth, and CCA is dedicated to creating an environment where businesses and institutions can thrive. We will advocate for policies that support investment and facilitate introductions to create strategic partnerships to encourage more investment.

DTLA will continue to be a regional employment center, and these jobs must pay good wages and employ a broad spectrum of workers, ranging from highly educated individuals to those with a high school diploma. CCA strongly believes the creative industries offer these opportunities. CCA will be committed to cultivating the creative industries in DTLA through targeted marketing and programming.

In addition, Downtown's vibrancy is supported by its unique commercial districts like the Jewelry, Fashion, Flower and Produce Districts. These were the first significant job creators, and CCA will promote them as well. As DTLA evolves, CCA will ensure these dynamic districts thrive by attracting new industries and by enhancing the sustainability of these districts by focusing on zoning, construction, parks, streets, mass transit, bikeways and other factors of the built environment that have an impact on these districts and their industries.

Tourism is essential to DTLA's future, and CCA will continue to grow that sector of Downtown's and the region's economy by leading policy initiatives that support tourism, including encouraging the development of new hotels and an improved convention center.

CCA will engage our DTLA 2030 Committee and convene regular meetings with the nine downtown Business Improvement Districts to implement all of these initiatives.

Objective III: Enhancing DTLA's Quality of Life

We support a Downtown that is welcoming to families as well as singles and retirees, to existing businesses and industries as well as new ones, and to pedestrians and transit users. To attract and retain a wide range of residents and create a world-class Downtown, CCA will advocate for increased school options, greater access to green space, and more innovative public art. CCA will seek changes in suburban regulations that limit new schools in Downtown. CCA will also promote public art and green space by partnering with the development community to ensure impact fees are effectively utilized.

CCA recognizes that access to transit is an important asset for Downtown, and we will work to enhance the connections between and among Downtown neighborhoods by seeking improvements in pedestrian and transit connectivity.

Walkability, access to culture and entertainment are key factors when deciding where to live. Growth industries, like new media, will locate in areas where their employees want to live. Downtown has the potential to be the hub for this kind of activity, especially with the many strong institutions already in DTLA, including: SCI-ARC, FIDM, USC, UCLA, LA Trade Tech and Loyola Law School. CCA will build on these strengths through marketing and programming. It also will become the go-to source for information regarding DTLA.

CCA will implement these strategies through our Transportation, Infrastructure and Environment Committee and our DTLA 2030 Committee.

Objective IV: Making Downtown the Place for New Housing

Los Angeles has a severe shortage of housing, and Downtown is no different. It has approximately 500,000 Downtown workers and is home to only 65,000 residents. Clearly, Downtown needs more housing.

Because Downtown has a strong network of transit options that support high-density housing, it is the place that can meaningfully address LA's housing crisis. CCA will continue to support broad-based policies that encourage the production of new housing and will leverage the DTLA 2040 effort and other policy initiatives to make Downtown the place for housing.

CCA will engage our Housing, Land Use and Development Committee to advance policies and initiatives that encourage housing production.

Objective V: Advancing Comprehensive Solutions to Homelessness

For many years, DTLA has been home to Skid Row, which is one of the largest concentrations of homeless people in the nation. Skid Row shows us first-hand that homelessness is a complex issue that requires a multi-faceted approach.

CCA will continue to advocate for proven solutions, such as permanent supportive housing and specialized outreach. CCA also will continue to support bridge housing, increased mental health and addiction services and jail-in-reach services. Jail-in-reach services are intended to help individuals find a home prior to being released from incarceration. This is especially important in Downtown, as the Men's Central Jail and Twin Towers are located in our city center. It is also important to end the well-established cycle of jail and homelessness. In addition, CCA will expand its advocacy for housing and services to be provided throughout Los Angeles, creating diverse mixed-income communities that will be healthier communities.

CCA already has been a leading voice for Measure HHH, which voters approved to in November to dedicate \$100 million over the next ten years to develop permanent supportive housing, and for Measure H. Voters approved Measure H in March to generate about \$355 million annually for ten years to support homeless services. We will continue to be a leading voice in seeking the implementation of these measures and advancing other strategies at our Homelessness Policy Committee.

NEXT STEPS

CCA requests input from our members about our Draft Advocacy Priorities. Please send your remarks and your interest in joining a working group to craft the associated implementation plans to Vice President of Public Policy, Marie Rumsey, at mrumsey@ccala.org by **May 4, 2017**.

Santee Alley Restrooms

2017 Calendar Year

3/27/2017

MAINTENANCE COST ESTIMATE				Jan-Jun/2017	Jul-Dec/2017	
	Bill Rate	Daily Hrs ¹	Days per Wk	Monthly	Monthly	2017 Annual
Sweeper/Janitor (Jan-Jun/2017)	\$ 16.04	6	7	\$ 2,695		\$ 16,168
Sweeper/Janitor (Jul-Dec/2017)	\$ 18.33	6	7		\$ 3,079	\$ 18,477
Labor Sub-Total						\$ 34,645
Supplies ²				\$ 850	\$ 850	\$ 10,200
Grand Total ^{3,4}				\$ 3,545	\$ 3,929	\$ 44,845

Notes

- 1) Assumes Maintenance Staff works 6 hrs a day 12-6PM (however security staff could open the restrooms at 11AM)
- 2) Toilet paper / soap / trash liners / cleansers / mops / brooms / personal protective equipment / etc.
Excludes paper towels (assumes electric hand dryer)
The BID will absorb \$750 a year for providing a radio, battery replacement and repair
- 3) Excludes fixture or infrastructure repair or replacement
- 4) This total cost estimate could be reduced if a reliable system is in put in place to charge and collect a fee for persons to use the restrooms. For example, \$18,250 a year could be generated assuming \$0.50 per person X 100 persons per day X 365 days)

FINANCING PROPOSAL		
	% allocation	Share of Cost
South Alley ¹	50%	\$ 22,422
North Alley ²	25%	\$ 11,211
Fashion District BID ³	25%	\$ 11,211
Total	100%	\$ 44,845

Notes

- 1) In 2017, the South Alley would fund this cost from projected budget savings in Security, Website & Restrooms Rental budget items
- 2) In 2017, the North Alley would fund this cost from projected budget savings in Security and Website budget items
- 3) The BID would fund this cost using funds from Reserve for MTA Grant Matching Funds

THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

Top hedge funder says retail slump is a “forever trend”

Jason Mudrick thinks bricks and mortar stores will continue to struggle

April 03, 2017 12:00PM

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From TRD New York: Hedge fund manager Jason Mudrick has dire predictions for the country's retail sector, and he's betting big on reaping the rewards.

Mudrick, whose Mudrick Capital Management focuses on distressed investments, told Bloomberg that retailers' problems are here to stay.

"This is a forever trend," Mudrick said on Bloomberg TV. "When you think about how things are going to look 10 years from now, or 20 years from now, our parents will be dead, our kids will be adults — you think more people are going to be shopping online or less? This is the Amazon effect and it's here forever."

Mudrick Capital Management is worth \$1.6 billion, according to the publication, and Mudrick Distressed Opportunity Fund gained 38.7 percent last year. The fund is just one of the many poised to profit off a tanking retail sector, which could result in a series of defaults. Mudrick is zeroing-in on securities backed by loans taken out by troubled mall and shopping center operators like Macy's Inc. and J.C. Penny Co.

In the face of rising store vacancies, New York City retail landlords including SL Green Realty and Jeff Sutton are offering major tenant perks in order to lure tenants.

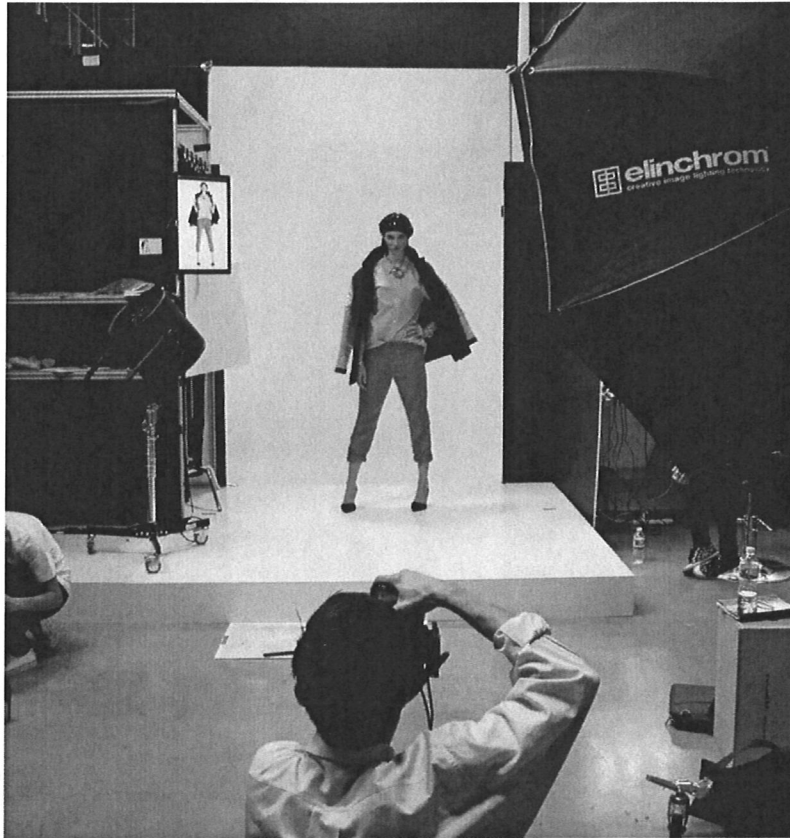
Joe Sitt's Thor Equities, which has been grappling with a number of vacancies across its retail portfolio, handed a \$12 million "improvement allowance" to designer Tom Ford when he signed up for a 12,300-square-foot lease at 650 Madison Avenue. [Bloomberg] — *Miriam Hall*

RACKED

Amazon Wants to Dress You

The e-commerce giant knows how to sell you underwear, but can it fill the rest of your closet?

BY CHAVIE LIEBER | APR 4, 2017, 10:00AM EDT



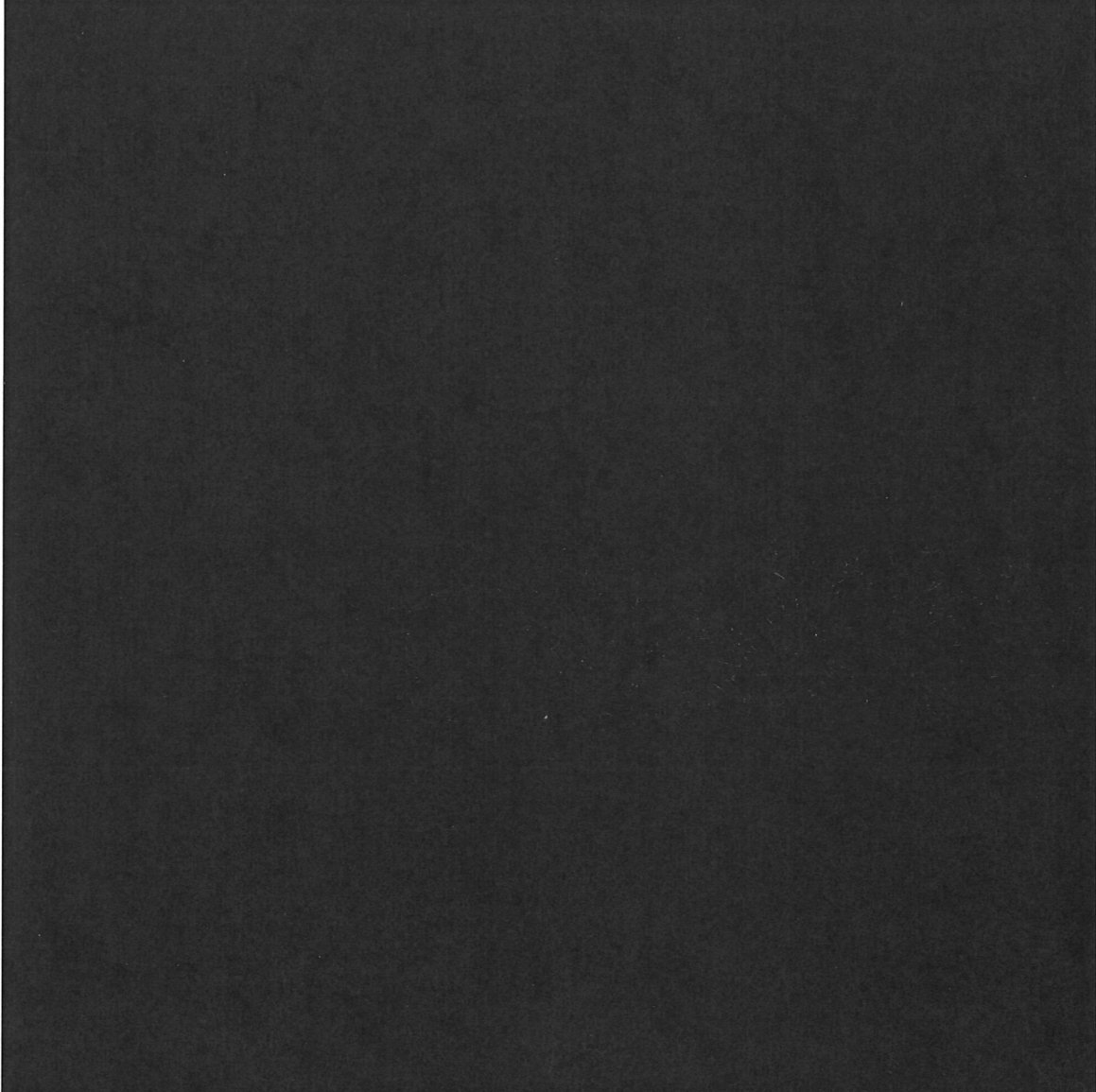
A model on set at Amazon Fashion's Brooklyn photo studio. | Photo: Brian Ach/Getty Images

In 2012, on the first Monday in May, Jeff Bezos stepped onto the red carpet at the Metropolitan Museum of Art in New York City for the annual Costume Institute gala — the fashion world's biggest, best, most exclusive event — wearing a black Tom Ford tuxedo with a white pocket square and patent leather shoes.

The Amazon founder was dressed to impress. His company had sponsored the blockbuster evening, along with that year's accompanying exhibit, "Schiaparelli and Prada: Impossible Conversations." As honorary chairman of the gala, Bezos was stationed at the top of the museum's stairs, greeting industry celebrities and actual celebrities alike alongside *Vogue* editor-in-chief Anna Wintour, designer Miuccia Prada, and actress Carey Mulligan.

Bezos was dogged about allying his e-commerce juggernaut with the fashion community, and his efforts didn't just pertain to philanthropy. Leading up to the Met Gala, the tight-lipped CEO told the *New York Times* that Amazon was making a "significant" investment in fashion. Though

Amazon had previously acquired a few fashion e-commerce companies, Bezos was now keen on building a dedicated fashion hub on its own flagship site. The hub, to be known as Amazon Fashion, would have a special landing page to direct shoppers to clothing and accessories and promote Amazon partnerships with fashion brands; it would also have its own merchandising and editorial teams.



Jeff Bezos with his wife MacKenzie at the 2012 Met Gala. | Photo: Randy Brooke/WireImage

In anticipation, Bezos hired Cathy Beaudoin, a Gap executive who started the now-defunct shoe site Piperlime, to head up the project known as Amazon Fashion; Julie Gilhart, a former fashion director at Barneys, was brought on as a consultant. Amazon convinced designers like Michael Kors, Vivienne Westwood, and Tracy Reese to sell their products on Amazon Fashion, and the company was in the process of building a 40,000-square-foot photo studio in Brooklyn where it could shoot original photography for the site.

But even with all these efforts — and the Tom Ford tux — Bezos was decidedly out of his element at the Met. While he told model Elettra Wiedemann, who hosted the event's very first (and last) livestream, that Amazon "really wanted to participate in this gala as a way of showing our commitment to this industry," he had also admitted to Bloomberg earlier that morning that "before we got involved, this event wasn't on my radar at all."

A photo of Bezos looking bored, with his bowtie slightly askew, surfaced on Vogue and eventually hit tech blogs, where he was teased for not being able to fake his interest in fashion for very long, even if he was dining next to Scarlett Johansson and Mick Jagger.

Five years later, Bezos and Amazon have not backed off their aggressive pursuit of fashion. Since 2015, the company has sponsored New York Fashion Week: Men's. Last year, it premieres a 30-minute HSN-style shopping show called *Style Code Live* that airs live every weeknight on Amazon.com and picked up *The Fashion Fund*, the documentary-style show about the process behind the CFDA/*Vogue* Fashion Fund competition that previously ran on Ovation TV, and Hulu before that. These days it's also sponsoring international fashion weeks, notably in India and Japan.

Plenty of brands have entered into official partnerships with Amazon since the Met Gala, too. There are now dozens of premium fashion labels selling their wares directly on the site, including Stuart Weitzman, Kate Spade, Rebecca Taylor, Milly, Frye, Marc Jacobs, Gucci, and Ferragamo. (Hundreds more brands are sold by third-party sellers via Amazon's massive free-for-all marketplace.) Even Gap CEO Art Peck told investors he was open to wholesaling to Amazon — an unusual move for the once-dominant company.

With its newly robust list of brands, Amazon seems to be making good on what Beaudoin told the Seattle Times back in 2013: "We want to be a great department store, like Bloomingdale's, Nordstrom, and Saks." It's worth noting that while Amazon is on the upswing, those great department stores are in serious trouble.



According to the U.S. Department of Commerce, department store sales shrunk from \$67.56 billion in 2011 to \$60.65 billion in 2015; meanwhile, Amazon's clothing and accessories sales nearly quadrupled from \$4.3 billion to \$16.4 billion during that same period. Macy's is currently the largest fashion retailer in the country, but according to finance firm Cowen & Co., Amazon will soon replace it, with a projected \$28 billion in apparel sales this year.

So yes, when it comes to Amazon's fashion ambitions, this is just the beginning.

In 1994, at the age of 30, Jeff Bezos left his executive position at an investment firm on Wall Street and moved to Texas. It was the start of the dot-com era, a time when internet usage was growing at an annual rate of 2,300 percent. According to the story Bezos repeats in the rare interviews he grants, he made a list of 20 items he guessed could sell easily online, which first and foremost included books.

Bezos and his wife MacKenzie eventually relocated to the Seattle area, where big tech companies like Microsoft were based. He launched Amazon out of his suburban garage with his first four employees in July 1995. The company's initial \$300,000 investment came from his parents, according to Josepha Sherman's 2001 biography *Jeff Bezos: King of Amazon*.

Within its first month of operation, Amazon was seeing \$20,000 of sales each week selling books to users in all 50 states and more than 45 countries. Customers flocked to the user-friendly site that became known for speedy shipping, personalized recommendations, and a community of avid reviewers. It also got a little help from a new search engine company called Yahoo that sent users to Amazon via its "What's Cool" list.



The manifest destiny of Amazon is to be the biggest retailer in the world.

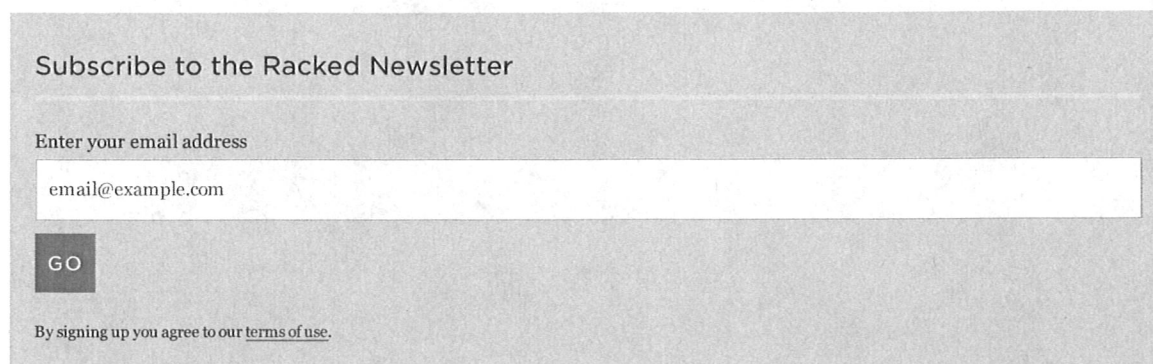
By 1996, Amazon employed 151 employees and was bringing in \$15.7 million in net sales. The company filed for IPO in 1997, and in 1999, Bezos was named Person of the Year by *Time* for single-handedly invigorating online shopping.

Within a decade of going public, dethroning Walmart, the world's largest company by sales, became the goal. This is where clothes come in. "The manifest destiny of Amazon is to be the biggest retailer in the world," says Brad Stone, author of *The Everything Store: Jeff Bezos and the Age of Amazon*. "They run this blueprint again and again each time they enter a category. Bezos understands that if Amazon will ever come close to the sales of Walmart, he'll have to add groceries and apparel."

In 2006, according to the *Wall Street Journal*, Bezos traveled to New York to meet with designers "but apparel executives were reluctant to entrust their brands to a retailer known for cut-throat prices and a utilitarian approach to displaying products." Left to his own devices, Bezos began the clothing crusade on his own.

He first bought *Shopbop*, which was estimated to bring in some \$30 million in annual sales at the time thanks to loyal return shoppers who appreciated the site's well-merchandized selection of cool, contemporary brands. The next year Amazon launched the shoes and accessories e-commerce site *Endless.com*, which was meant to face off with Zappos. But ultimately Amazon couldn't contend with the site, a customer favorite for its then-unusual free shipping and returns

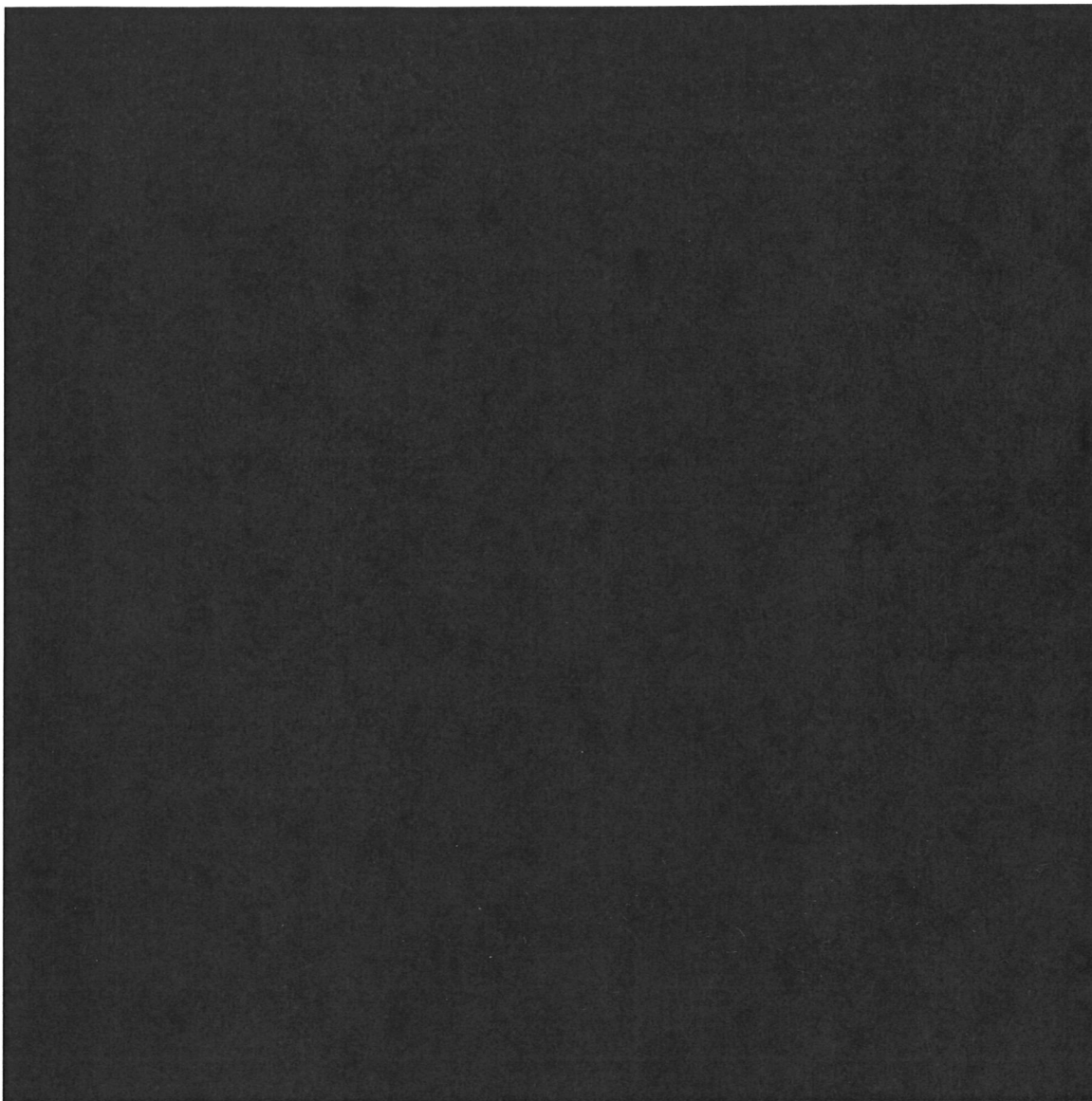
policy, and it ended up buying the company instead in 2009 (Amazon shuttered Endless.com in 2012).

A screenshot of a newsletter subscription form. At the top, it says "Subscribe to the Racked Newsletter". Below that is a text input field with the placeholder "Enter your email address" and the example email "email@example.com". To the left of the input field is a dark grey button with the word "GO" in white. Below the input field, there is a line of text: "By signing up you agree to our [terms of use](#)."

In 2011, Amazon debuted the membership-based flash-sale site MyHabit, a move to directly compete with Gilt Groupe, which was thriving at the time and boasted a valuation of approximately \$1 billion (Amazon shuttered MyHabit last year). Amazon introduced the contemporary menswear website East Dane under the Shopbop umbrella in the fall of 2013. That same year, that giant photo studio in Brooklyn opened, and in 2015, Amazon opened another such studio in London. The Amazon Fashion project was in full swing — because despite all of his high-profile launches and acquisitions, Bezos realized that building out a dedicated fashion space on Amazon was the only way to truly maximize profits. This is largely due to Amazon Prime, the website's two-day-shipping subscription, which Stone says "turns people into Amazon addicts."

"Amazon Prime is the engine that drives Amazon," he explains. "It capitalizes on irrational human behavior, where people are maximizing their membership. The whole point of getting people to sign up is for them to always be on the Amazon site, buying more."

Plus, clothes are lucrative. As Bezos told the *New York Times* back in 2012, "gross profit dollars per unit will be much higher on a fashion item." American shoppers spent \$273.67 billion on new clothing last year, according to Euromonitor, of which Amazon currently has a 6.6 percent market share. The bulk of Amazon's clothing sales, however, are currently in the functional basics category, meaning socks and undergarments.



Designer Phillip Lim and musician Joe Jonas at a men's Fashion Week event hosted by Amazon Fashion, East Dane, and MyHabit in 2015. | Photo: Stephen Lovekin/WireImage

Retail consultant Sucharita Mulpuru thinks Amazon would fit perfectly as a retailer “that competes with Old Navy and Macy’s,” but John Blackledge, a senior research analyst at Cowen, says Amazon is clearly after the mid-to-upper market with its fashion venture “simply because of the ticket on luxury.”

“Apparel has some of the highest margins, and in luxury fashion, Amazon knows people who want something unique won’t mind spending a bit more for it,” says Blackledge. It certainly helps that a whopping 70 percent of upper-income households in the U.S. (those earning more than \$112,000 annually) are Amazon Prime members.

One former Amazon employee, who worked on the fashion team and agreed to speak to Racked on the condition of anonymity, says the company’s aggressive foray into the space is about them wanting to be at the “center of every conversation.”

“As they enter and take over literally every single industry, this is just another way of Amazon being relevant,” the former employee says. “They know that a lot of shoppers don’t see them as a credible source for fashion, but they are taking this very seriously and trying to get designers on board so they can have another piece of the pie.”

On the brand end, it’s not surprising that so many fashion companies are choosing to wholesale with Amazon. Amazon has logistics down, from top-of-line fulfillment centers to sophisticated backend tech, and these are companies that need to expand their own e-comm footprints, given the slowdown of in-store shopping. Better to get aboard the Amazon train than have to shutter hundreds of stores or declare bankruptcy like their peers.



These days, there are two ways to describe retail: a shit show, and Amazon.

“These days, there are two ways to describe retail: a shit show, and Amazon,” says Scott Galloway, an adjunct professor of marketing at NYU’s Stern School of Business. As Blackledge explains, “Amazon is the only one that’s not stuck in the vicious cycle of declining foot traffic that’s leading to declining sales that’s forcing stores to close. They are in a constant virtuous cycle.”

“In many cases, fashion companies are turning to Amazon because it’s a life support at this point,” adds Mulpuru. “They see the dying retail environment, and then they raise their eyebrows when they see Amazon’s growth and eventually cave out of desperation.”

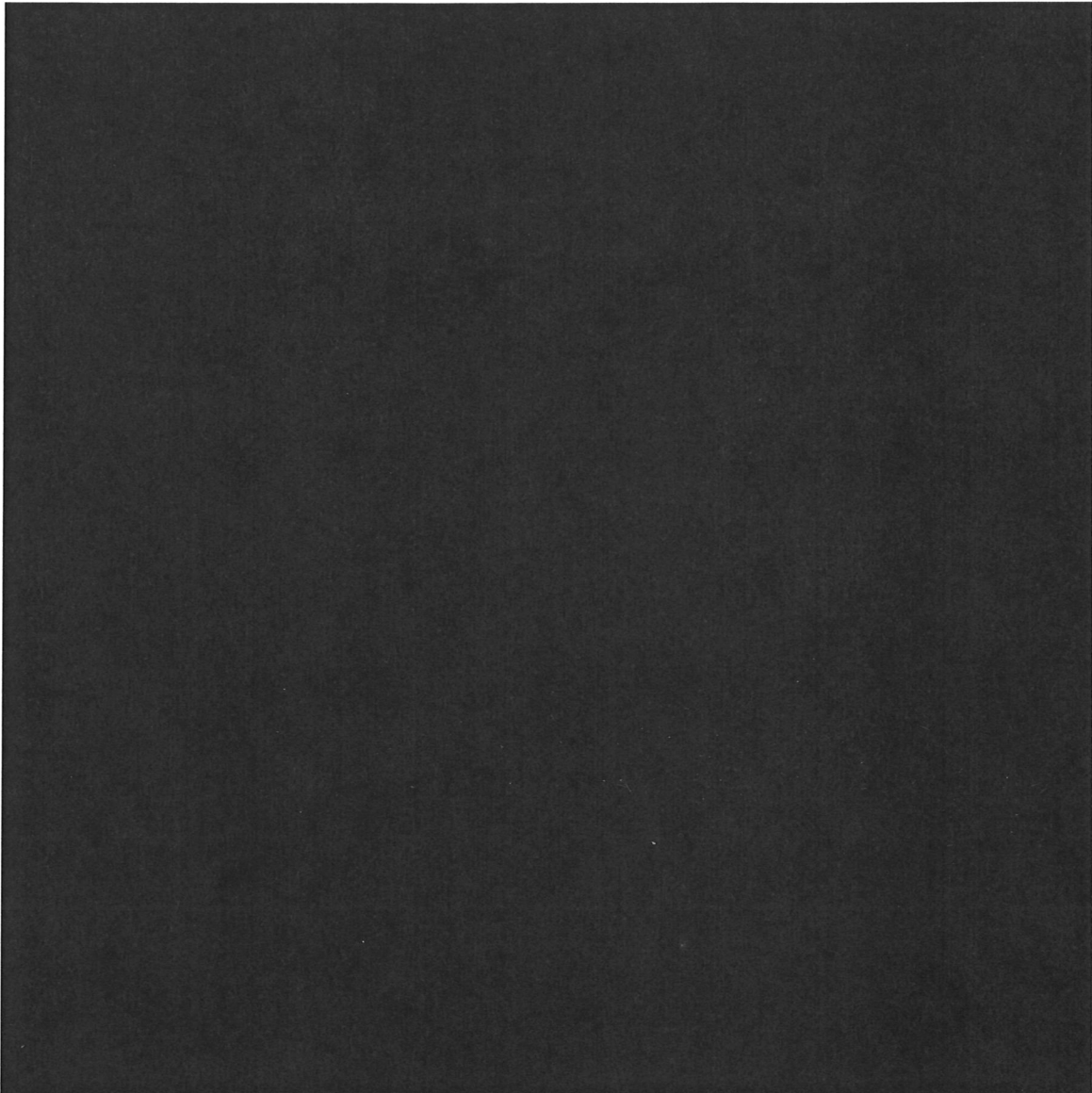
For smaller brands, there’s also the benefit of exposure. Scott Studenberg, one of the partners behind the contemporary line Baja East, which was a CFDA/*Vogue* Fashion Fund finalist and sells on Amazon, puts it simply: “It’s a brand that has one of the biggest reaches in the world.”

“I was at a party in LA with Kate Hudson, who was wearing this amazing gray, strappy jersey dress,” he continues. “I said, ‘I love your dress!’ and she said, ‘Oh, I got it on Amazon.’ Kate Hudson! It just shows all the different types of people that are shopping on Amazon, whether it’s for groceries or a dress.”

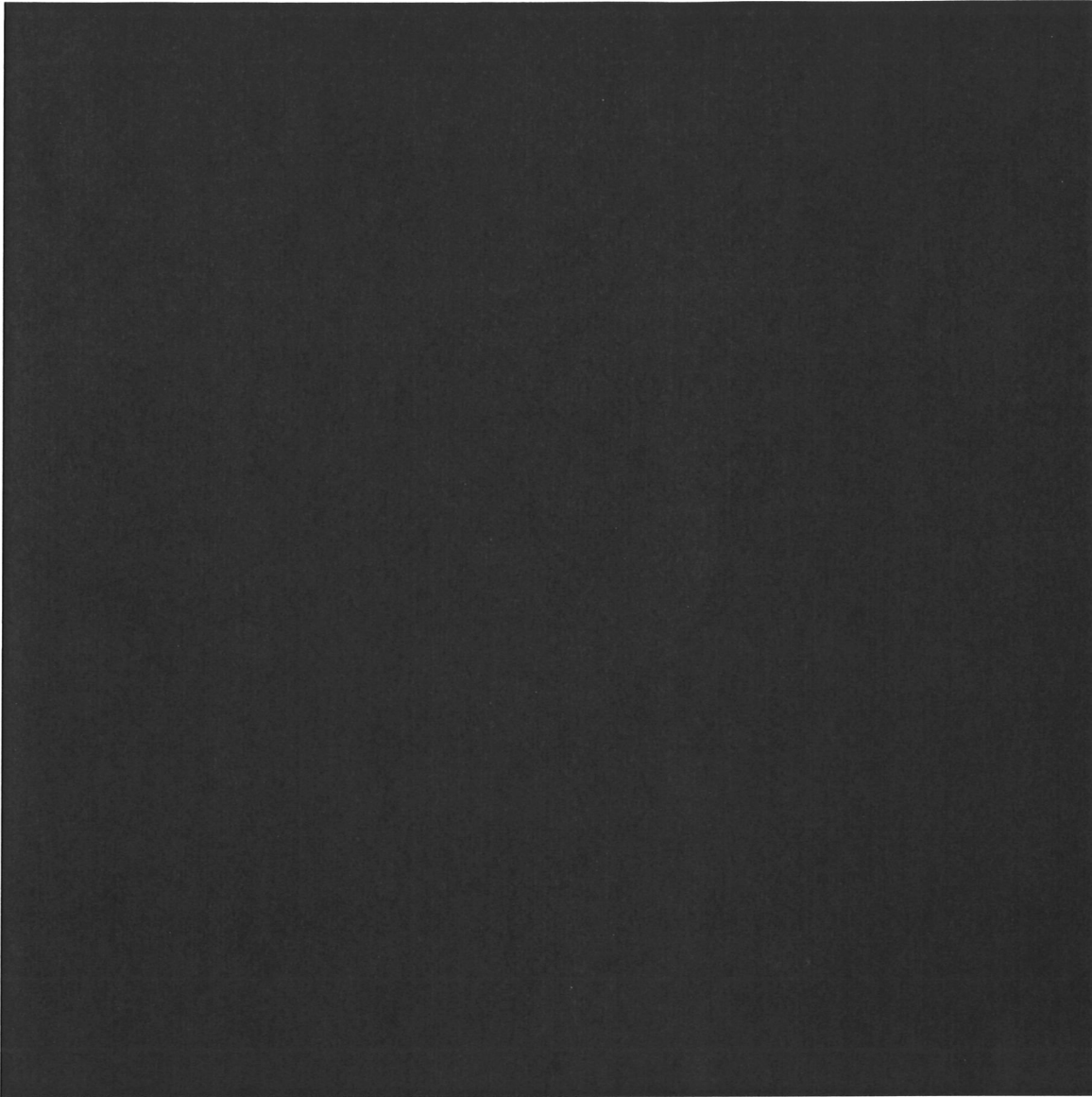
Chris Gelinis, the designer behind the brand CG, who was also a CFDA/*Vogue* Fashion Fund finalist, admits he was initially hesitant about selling on Amazon because “it represented a different type of shopping, and I was already concerned about online because my clothes are so tactile.” After Amazon worked with Gelinis to create a landing page for his brand, he was sold.

“It shifted when I saw how much effort they put into storytelling,” he says. “They put a lot of work into shooting the clothing so they could capture the core message and hone in on the idea of clothing being crafted and authentic. There were definitely certain stigmas it carried for me, but

that didn't last beyond seeing the attention and space Amazon was giving to a brand as new as mine."



A look from Baja East's spring 2017 collection. | Photo: Estrop/Getty Images



A look from CG's spring 2017 collection. | Photo: Victor Virgile/Getty Images

Gelinas adds that while CG is simultaneously keen on growing its direct-to-consumer business, “I now have a customer base I couldn’t ever even have thought of accessing without Amazon.” That exposure doesn’t just come from Amazon’s own enormous platform or its digital advertising efforts, which increased 224 percent last year — during the 2016 holiday season, it spent more on TV ads than Walmart and Target, according to WWD.

“They put my clothes in a television commercial!” says Gelinas. “At the end of the day, getting my product into the hands of the people who want it is all I’m after, and there are now women all over the world who can access CG because it’s sold on Amazon.”

Even brands that don’t necessarily need the exposure say an Amazon partnership is valuable. Shoshanna Gruss, the designer behind womenswear label Shoshanna, sells her clothing at stores like Neiman Marcus and Saks Fifth Avenue. She also sells her three largest categories (swim, ready-to-wear, and evening) on Amazon.

“Brands were nervous to try selling on QVC or do an exclusive line for Target. Now they’re lining up to do either,” says Gruss. “It’s important for these brands to adapt with the digital world. Amazon Fashion was the next step for us, as customers look to Amazon for everything and it has such a large reach. Everyone trusts Amazon, so getting our product in front of loyal Amazon customers really opens more doors for us.”



No one looks at Amazon and thinks that it’s a great partner. It’s considered the evil empire.

For every CG or Shoshanna that openly (and glowingly) talks about its partnership with Amazon, though, there are many, many more that refuse to discuss their relationship with the e-commerce giant. Out of the 50 brands that were contacted for this story, nearly every single one declined to participate; Kate Spade, Rebecca Minkoff, Marc Jacobs, See by Chloé, Stuart Weitzman, Mara Hoffman, Rachel Comey, Lacoste, and New Balance are just some of the brands that comprise this list. Other companies agreed to participate but backed out at the last minute out of concern for Amazon’s reaction. (Amazon also ignored multiple interview requests from Racked.)

“No one wants to talk about Amazon because it’s a dirty little secret that they are slowly migrating to the platform,” says Harriet Greenberg, a partner at Friedman LLP. Galloway, the NYU professor, suggests that “no one looks at Amazon and thinks that it’s a great partner. It’s considered the evil empire.”

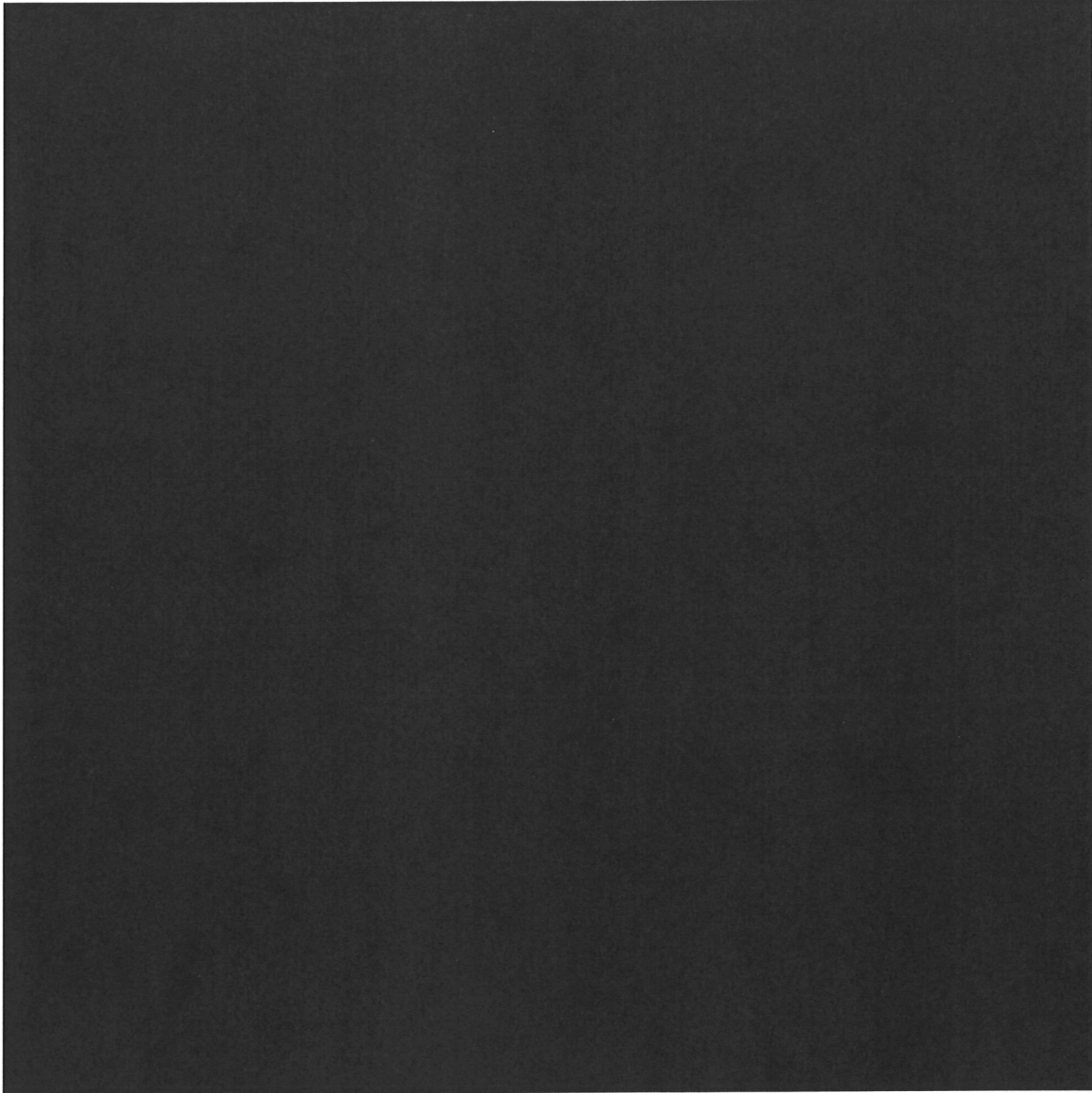
And while there are high-end brands selling products on Amazon, the selection is often limited to entry-level items like handbags, sunglasses, and perfume. Fashion companies, ultimately, are saving the good stuff, like clothing and footwear, for higher-end retailers.

“Everyone in fashion looks down on Amazon, and as a brand, you don’t want to be shouting that you are selling there,” says Nivindya Sharma, a senior editor at trend forecasting agency WGSN. “There’s a balance between wanting sales and wanting exclusivity, which is why you’re seeing many brands offering a limited selection and selling premium products elsewhere. It’s all about perception.”

For all of Amazon’s investment in Amazon Fashion, there are technical challenges that impede its growth, in terms of both potential partners and shoppers. For one, the Amazon Fashion landing page remains largely difficult to navigate. There is a master list of designers, but it’s buried deep within the site and does not differentiate between brands that sell via Amazon directly and brands that sell through a third party. Finding products from current seasons is also impossible.

“Amazon’s algorithm is complicated,” says Galloway, “but it generally favors what sells the most. So if you search booties, it’ll likely show you what’s three years old, and not the new shoes sold on Macy’s or Net-a-Porter. That’s not great for fashion labels constantly putting out new collections.”

Both the women’s and men’s sleek landing pages have links to curated product lists and editorials, but when you click to actually buy an item, you’re faced with Amazon’s inscrutable UX.



Amazon Fashion’s women’s landing page.

“They have this front page with some content and it looks nice, but then you start clicking and it’s like, ‘Oh god!’” says Sharma, the WGSN editor. “There’s no editing, the filtering is dodgy, and I’m just put off completely. Maybe I’ll buy something if I can find it, but I don’t know if this is a recipe for a loyal customer base.”

Blackledge confirms that according to consumer reviews of shopping for clothing on Amazon last summer for Cowen, everyone’s main complaint is the site’s functionality — “a challenging user

experience” is how one shopper put it. Amazon might have grown to prominence in the early aughts because it was user-friendly, but the site hasn’t progressed much; in fact, it’s only gotten harder to use as it’s become inundated with a never-ending flood of merchandise.

“What we heard from shoppers is that while they go to Amazon to replenish goods or search well-known brands or items, the site really falls short in curation and the browsing experience,” says Blackledge. “It’s just like, come on, how can you not have a beautiful digital presentation? You’re Amazon!”

The former Amazon employee says that even though the company had a strong roster of buyers, merchandisers, and software engineers on the fashion team during her time at the company, there were often clashes over making Amazon Fashion “prettier,” or at least making it look less like Amazon.



If it really cared about promoting and boosting fashion, it wouldn't offer knockoff stuff.

“Because the culture at Amazon is so different from fashion,” the former employee says, “it was really slow to adapt to change and listen to, say, people from Bloomingdale’s who wanted to study new brands and who’s buying what in the market.”

One womenswear designer, who spoke to Racked on the condition of anonymity, shared that she’s frustrated with how Amazon surfaces cheaper versions of designer items. For example, on the Amazon page for Stella McCartney’s \$908 platform Oxford shoes, a similar \$32.99 pair is displayed in the “Customers who viewed this item also bought” unit right below the product description.

“It feels like they are taking our products because they are a never-ending pit,” the designer says, “but at the end of the day, they just care about the sale, and not about the integrity of the brands or products that are even on the site. If it really cared about promoting and boosting fashion, it wouldn’t offer knockoff stuff.”

Like other e-commerce marketplaces, Amazon is also home to plenty of counterfeit products that boast fake designer labels; its unwillingness to remove these products has stirred controversy. Over the summer, CNBC reported Birkenstock was ceasing distribution on Amazon due to the myriad other sellers listing counterfeit Birkenstocks on Amazon. This is particularly distressing to brands because Amazon fulfillment centers have been known to mix inventory from partners with those from third-party sellers, meaning that counterfeits can make their way to customers who bought authentic brand merchandise.

“The Amazon marketplace, which operates as an ‘open market,’ creates an environment where we experience unacceptable business practices which we believe jeopardize our brand,” David

Kahan, the U.S. CEO of Birkenstock, wrote in a memo. “Policing this activity internally and in partnership with Amazon.com has proven impossible.”



Do people even want to be seen in Amazon clothes? This is harder for them than it looks.

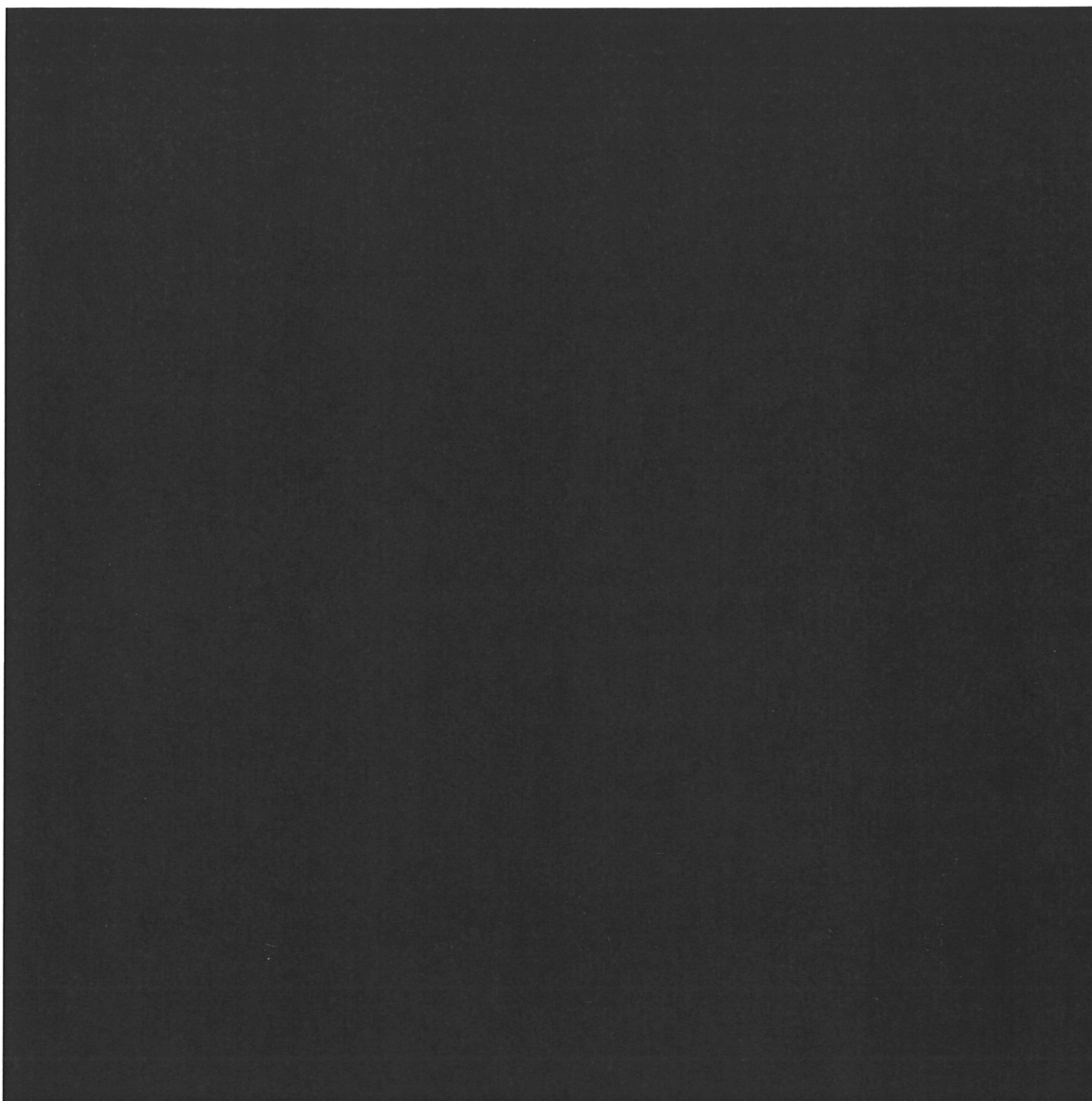
Reflecting on Birkenstock’s decision, Galloway agrees that Amazon’s counterfeit problem has hurt the site’s reputation in the eyes of potential partners. Why would Louis Vuitton or Tory Burch ever confidently enter into a relationship with Amazon when there are countless counterfeit products imitating their brands on the site?

“A website like Net-a-Porter would *never* sell counterfeit goods,” says Galloway. “It just wouldn’t happen.”

Just two weeks ago, Amazon Marketplace vice president Peter Faricy told Reuters the company would be rolling out a counterfeits removal program that will allow companies to register their logos and intellectual property and then flag sellers listing illegitimate products. The fact that Amazon took so long to take action, says Galloway, “shows you a difference of culture.”

“You would think Amazon, which has the most sophisticated technology, could easily weed out these fakes and unverified sellers simply by creating some sort of algorithm,” he says. “But Amazon has an ethos where it wants to instead shrug its shoulders and turn a blind eye as long as it’s making money.”

One of Amazon’s recent maneuvers in its multi-pronged approach to winning the fashion game involves rolling out as many as eight in-house labels, including at least five womenswear lines: Society New York, Ella Moon, Lark & Ro, James & Erin, and North Eleven. It also offers men’s suiting and children’s clothes, with athleisure, bras, and quite possibly plus-size on the way. These launches were informed by data the company collected about what customers are buying on Amazon; it decides which categories to launch private labels in based on existing consumer behavior.



A dress from Amazon's Ella Moon label.

The in-house labels have been met with little fanfare. They are hard to find on the site, and there have been plenty of complaints regarding quality and sizing. The marketing around the brands has been confusing too, with no clear indication as to what differentiates one from another. Lark & Ro merely offers that it's for "women constantly on the move, who want to look stylishly pulled together from day to night," and the clothing for Ella Moon is apparently "globally inspired, everyday beautiful." The other women's lines don't have any brand descriptions at all.

"While we've learned to never bet against Amazon, building a successful private fashion label is a challenge they have never faced," says Greg Portell, a partner at A.T. Kearney. "It takes years to build a brand and to figure out the precise marketing for it too. Do people even want to be seen in Amazon clothes? This is harder for them than it looks."

The former Amazon employee says rolling out private-label brands based solely on data instead of design or merchandising expertise is a perfect example of how Amazon doesn't understand the industry.

“There are people at Amazon who actually love and breathe fashion and care about cool new things,” the employee says. “But at the end of the day, Amazon is numbers-driven.”

In the fall, LVMH CFO Jean-Jacques Guiony said on an earnings call that his company’s brands, which include Céline, Fendi, Givenchy, Dior, and Louis Vuitton, would not be working with Amazon. (LVMH also owns a majority stake in Marc Jacobs, which does in fact have a partnership with Amazon.)

“We believe the business of Amazon does not fit with LVMH full stop and it does not fit with our brands,” said Guiony. “There is no way we can do business with them for the time being.” LVMH is planning to launch an e-commerce business of its own, where all of its brands can live.

Amazon is well aware of its downmarket reputation and flawed user experience, and it appears to be actively working to fix it. The company recently put up a job posting for a senior manager of product management, a role whose end goal will be implementing solutions to help “customers navigate through our selection of hundreds of millions of items,” which “remains one of the biggest customer experience challenges for Amazon Fashion.” This candidate will define “the product vision, goals” and influence “senior leaders within Amazon Fashion and across Amazon to communicate the team’s vision, strategy, goals, status, and customer impact.”

Nadia Shouraboura, a former Amazon executive who now runs retail tech brand Hointer, says it’s not a matter of if luxury brands will cave to Amazon, but when.

“I know that customers will be able to shop for Chanel and Dior on Amazon soon — just like fashion houses are obsessed with creating timeless looks, Amazon is obsessed with creating the perfect online shopping experience, effortless and unmatched, so it’s going to happen,” Shouraboura says. “In several years, customers will be able to stream the latest runway show on [an] Amazon video service and tell Alexa to ship favorite outfits to their homes for one-hour delivery in time for an evening event.”



Of course Amazon will have brick-and-mortar clothing stores — customers told us they want to be able to touch and feel clothing before buying.

Stone, the Amazon author, likens the situation to what happened when Amazon began selling tech products: Companies like Sony and Samsung pledged to never sell on the site, only to cave when they couldn’t hold out any longer. Stone believes that “just because these luxury brands aren’t selling on Amazon today doesn’t mean that one day they won’t have to.”

“It’s a brave new world, and anyone who thinks Amazon isn’t going to be number one in fashion is not being honest,” says Greenberg of Friedman LLP. “Just look at the numbers. The products *will* go where the customers are, and they are on Amazon.”

There’s also a belief that Amazon could take over in-person shopping, too; after all, 85 percent of shoppers prefer to shop in stores. Plenty of e-commerce companies have since expanded into physical locations: Warby Parker, Birchbox, Everlane, and ModCloth, to name a few. Amazon has already debuted its own bookstores, and grocery stores are next.

“Of course Amazon will have brick-and-mortar clothing stores — customers told us they want to be able to touch and feel clothing before buying, and Amazon has always listened to customers,” says Shouraboura.

So what does this mean for the rest of retail? Will Amazon eventually clobber clothing stores, like they did bookstores? Is everyone destined for doom? According to Blackledge of Cowen, “This isn’t winner takes all. It’s a win and take most.”

Because retail is fragmented — a segment that’s always had countless players — analysts don’t think Amazon will fully take over the shopping sector the way it did with books. Plus, “fashion is an emotional purchase that makes shoppers feel a certain way, and Amazon takes away that feeling,” says Laura Sossong, a senior consultant with Boston Retail Partners.

“Getting something in an Amazon box just waters down that experience,” echoes WGSN’s Sharma. “I really think there will be those who will spend the extra \$50 to shop at a nice store, or buy something on a beautifully curated website that will ship items to you in a nicely wrapped box.”

Ultimately, Amazon is not and will never be a fashion company. “Technology does not always mean creativity, and that’s why there’s continued opportunity for merchants facing off against Amazon,” says Richard Kestenbaum, a partner at Triangle Capital LLC. “Amazon might be a big fat pipeline into consumer’s homes, but that’s not the same as creating inspiration. Selling Fruit of the Loom is not the same as selling Oscar de la Renta.” ■

Chavie Lieber is a senior reporter at Racked.

Editor: Julia Rubin

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Los Angeles officials are looking into options for getting homeless with severe mental illnesses off the county's streets.

On Tuesday, the L.A. County Board of Supervisors instructed the Department of Mental Health to research what legal options officials have at their disposal to compel people into treatment if it's believed they're so gravely disabled, they can't make decisions for themselves.

The move comes as city and county agencies in L.A., backed by new taxpayer dollars, are making major investments in tackling the region's growing homeless problem. As they do so, there are questions the supervisors want answered about whether a small percentage of homeless will refuse all attempts to get them into stable housing.

"Approximately 30 percent of those living on the streets suffer from some sort of mental illness – that's not to say all have to be hospitalized" said Supervisor Kathryn Barger, who authored the request. "My intent is to really examine where we need to make changes and even, if we need to."

There are a smattering of laws that provide for family members, law enforcement, and others to essentially force treatment, though not necessarily medications, on reluctant patients. California law allows for 72-hour and 14-day hospitalizations in extreme circumstances, and courts can order longer-term commitments. Part of the Department of Mental Health's report is expected to look at how often and easily such holds are used.

At the request of Supervisors Sheila Kuehl and Hilda Solis, the report is also expected to look at what steps, like better outreach, might be used instead of forced hospitalizations.

Both supervisors said they were concerned about infringing upon people's autonomy and civil liberties by compelling them into treatment.

"I'm not saying absolutely we can't ever do it," Kuehl said. "Where's the bright line, if there is one, or how do we find a line."

There's also a question of where people who are institutionalized end up—the county has more demand for mental health beds than it has supply, said doctor Jonathan Sherin, director of the L.A. County Department of Mental Health.

Building more institutional options, he said, might not be the only way to go. But, he said, those are "sometimes punitive environments and punitive environments are not designed for individuals to flourish to the best of their ability."

Sherin said the county may examine something more akin to living communities with onsite services.

"A place where people would want to be," Sherin said. "Create something that's inviting and appealing to bring them to services as opposed to being more paternalistic."

Todd Lipka, CEO of the homeless service provider Step Up said people may be resisting services simply because they're overwhelmed by the process of getting help.

"They cannot navigate the mental health system, the housing application system, that's why they've been out on the street the longest," Lipka said.

He estimated only about 2 or 3 percent of the chronically homeless with mental illness can't be reached using existing outreach tools.

Agencies in the City of L.A. are concerned about the same issues.

The Los Angeles Police Department, which has officers dedicated to outreach and policing of the homeless community, estimates nearly half of homeless individuals offered services by these officers refuse them.

At a special meeting of the L.A. Police Commission Tuesday devoted to homelessness, officers described interacting with people who were suffering from health problems, living in tents filled with feces, who would refuse their help.

"If someone has severe mental illness or is severely in a drug state, they're probably going to say 'no' more than anybody else will," said L.A. Police Commissioner Steve Soboroff, at a special meeting of the L.A. Police Commission Tuesday devoted to homelessness. "What can we do better to help the people say 'yes.'"

But Peter Lynn, who heads the L.A. Homeless Services Authority, warned the widespread idea that many people don't want help is overstated. Many, he said, have been offered help before, but didn't receive the appropriate shelter and permanent housing they were promised.

"I think the key is to enrich the service proposition that we have and really offer something that's authentic," Lynn told the commission.

Lynn said with new dollars coming in as early as July from voter-approved bonds and a raise in the sales tax, the city and county should be able to entice most people to buy into the system simply by offering them quality services.

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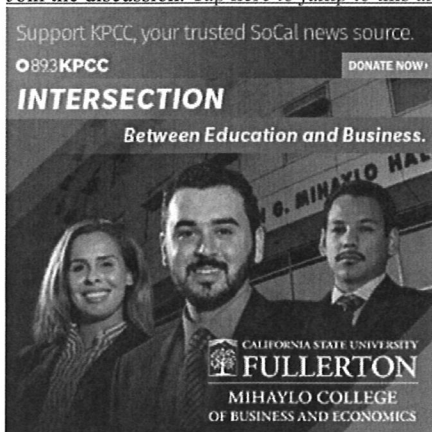
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THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

Developers launch artist-in-residence programs to lure cool crowd

Perks often include cheap or even free rent

April 12, 2017 03:52PM

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Matt Perrin, Inside Olive DTLA (Wolff Company/Olive DTLA)

Real estate developers are offering artists cheap — and even free — rent to help bring in the type of crowd that will make its development more hip.

As residential construction continues its upward trajectory in Downtown Los Angeles, many developers are competing for a limited pool of young and monied artsy types looking to live in an urban environment.

Developer Wolff Company launched an artist-in-residence program last month at its new 293-unit mixed-use project Olive DTLA, offering selected artists a two-story, rent-free loft during a six-month residency, the Wall Street Journal reported.

Asking rents for the building at 1243 S. Olive Street range from \$2,000 to \$4,100 a month.

The program offers artists a monthly showcase exhibit in the buildings communal spaces, interior and exterior wall opportunities to showcase work and a monthly allowance for art supplies. The winning artist will be named next month.

Matt Perrin, executive vice president of asset management at Wolff, said art in public spaces is common in downtown and its program was an opportunity to celebrate and contribute to the area's art scene.

Wolff is just one of several developers using an artist-in-residence program to woo creatives into its building, according to the WSJ.

For example, Magellan Development Group in Chicago announced an artist-in-residence contest at its SoBro rental building in Nashville and Exhibit on Superior in Chicago earlier this year. Both projects sit in cities known for its artistic offerings.

The winner will get free rent for a year in either a studio or one bedroom, valued at \$1,850 at the SoBro and \$2,200 a month at the Exhibit. [WSJ] — Subrina Hudson

Tags: DTLA, Residential Real Estate



What's Causing the Retail Meltdown of 2017?

In the middle of an economic recovery, hundreds of shops and malls are shuttering. The reasons why go far beyond Amazon.

DEREK THOMPSON | [@dkthomp](#) | Apr 10, 2017 | [10 Comments](#)



Mark Blinch / Reuters

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From rural strip-malls to Manhattan's avenues, it has been a disastrous two years for retail.

There have been nine retail bankruptcies in 2017—as many as all of 2016. J.C. Penney, RadioShack, Macy's, and Sears have each announced more than 100 store closures. Sports Authority has [liquidated](#), and Payless has [filed for bankruptcy](#). Last week, several apparel companies' stocks hit new multi-year lows, including Lululemon, Urban Outfitters, and American Eagle, and Ralph Lauren [announced](#) that it is closing its flagship Polo store on Fifth Avenue, one of several brands to abandon that iconic thoroughfare.

A deep recession might explain an extinction-level event for large retailers. But GDP has been growing for eight straight years, gas prices are low, unemployment is under 5 percent, and the last 18 months have been [quietly excellent years for wage growth](#), particularly for middle- and lower-income Americans.

So, what the heck is going on? The reality is that overall retail spending continues to grow steadily, if a little meagerly. But several trends—including the rise of e-commerce, the over-supply of malls, and the surprising effects of a restaurant renaissance—have conspired to change the face of American shopping.

Here are three explanations for the recent demise of America's storefronts.

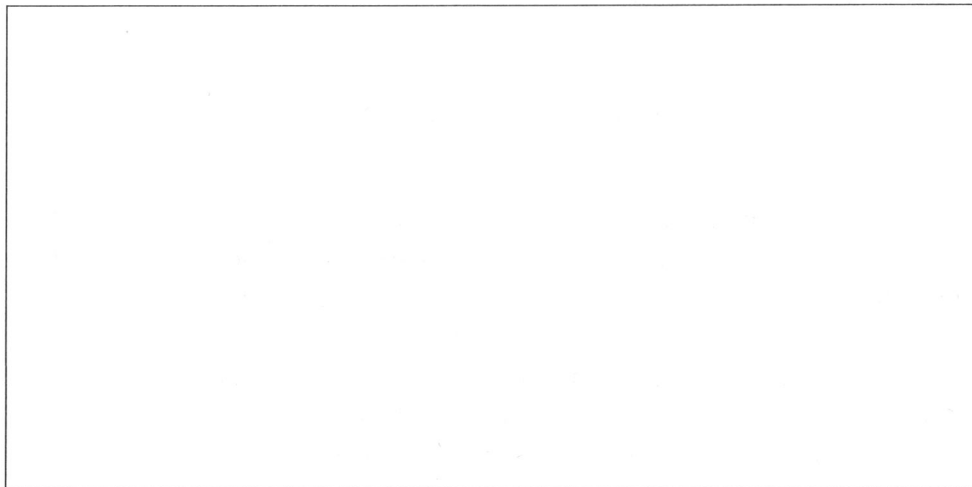
1. People are simply buying more stuff online than they used to.

The simplest explanation for the demise of brick-and-mortar shops is that Amazon is eating retail. Between 2010 and last year, Amazon's sales in North America quintupled from \$16 billion to \$80 billion. Sears' revenue last year was about \$22 billion, so you could say Amazon has grown by three Sears in six years. Even more remarkable, according to [several reports](#), half of all U.S. households are now Amazon Prime subscribers.

But the full story is bigger than Amazon. Online shopping has done well for a long time in media and entertainment categories, like books and music. But easy return policies have made online shopping cheap, easy, and risk-free for consumers in apparel, which is now [the largest e-commerce category](#). The success of start-ups like Casper, Bonobos, and Warby Parker (in beds, clothes, and glasses, respectively) has forced physical-store retailers to offer similar deals and convenience online.

What's more, mobile shopping, once an agonizing experience of typing private credit-card digits in between pop-up ads, is getting easier thanks to apps and mobile wallets. Since 2010, mobile commerce has grown from 2 percent of digital spending to 20 percent.

The Growth of Mobile Shopping



Cowen Research

People used to make several trips to a store before buying an expensive item like a couch. They would go once to browse options, again to narrow down

their favorites, and again to finally pull the trigger on a blue velvet love seat. On each trip, they were likely to make lots of other small purchases as they wandered around. But today many consumers can do all their prep online, which means less ambling through shopping centers and less making incidental purchases at adjacent stores ("I'm tired, let's go home ... oh wait, there's a DSW right there, I need new sneakers").

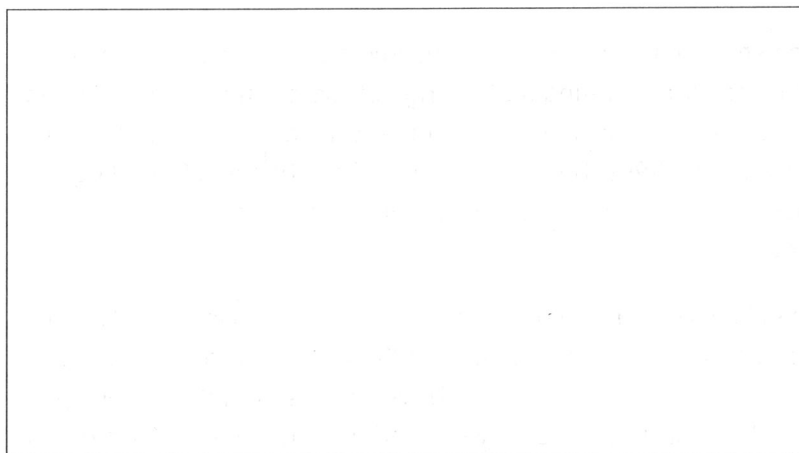
There will always be a place for stores. People like surveying glitzy showrooms and running their fingers over soft fabrics. But the rise of e-commerce not only moves individual sales online, but also builds new shopping habits, so that consumers gradually see the living room couch as a good-enough replacement for their local mall.

2. America built way too many malls.

There are about 1,200 malls in America today. In a decade, there might be about 900. That's not quite the ["the death of malls."](#) But it is decline, and it is inevitable.

The number of malls in the U.S. grew more than twice as fast as the population between 1970 and 2015, according to Cowen Research. By one measure of consumerist plentitude—shopping center "gross leasable area"—the U.S. has 40 percent more shopping space per capita than Canada, five times more than the U.K., and 10 times more than Germany. So it's no surprise that the Great Recession provided such a devastating blow: Mall visits declined 50 percent between 2010 and 2013, according to the real-estate research firm Cushman and Wakefield, and they've kept falling every year since.

Shopping Space per Person, by Country



Cowen Research

In a long and detailed paper this week on the demise of stores, Cowen Research analysts offered several reasons for the "structural decay" of malls following the Great Recession. First, they said that stagnating wages and rising health-care costs squeezed consumer spending on fun stuff, like clothes. Second, the recession permanently hurt logo-driven brands, like Hollister and Abercrombie, that thrived during the 1990s and 2000s, when coolness in high-

school hallways was defined by the size of the logo emblazoned on a polo shirt. Third, as consumers became bargain-hunters, discounters, fast-fashion outlets, and club stores took market share from department stores, like Macy's and Sears.

Finally, malls are retail bundles, and when bundles unravel, the collateral damage is massive. (For example, look at pay TV, where ESPN has bled millions of subscribers in the last few years as one of its key demographics, young men, abandon the cable bundle that is critical to ESPN's distribution.) In retail, when anchor tenants like Macy's fail, that means there are fewer Macy's stragglers to amble over to American Eagle. Some stores have "co-tenancy" clauses in malls that give them the right to break the lease and leave if an anchor tenant closes its doors. The failure of one or more department stores can ultimately shutter an entire mall.

3. Americans are shifting their spending from materialism to meals out with friends.

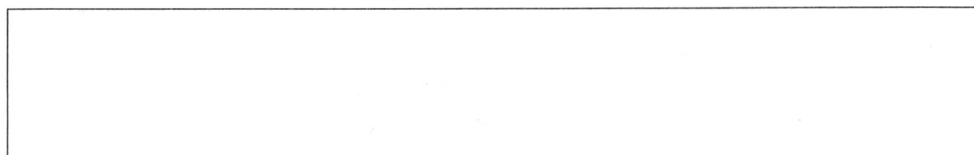
Even if e-commerce and overbuilt shopping space conspired to force thousands of retail store closings, why is this meltdown happening while wages for low-income workers are rising faster than any time since the 1990s?

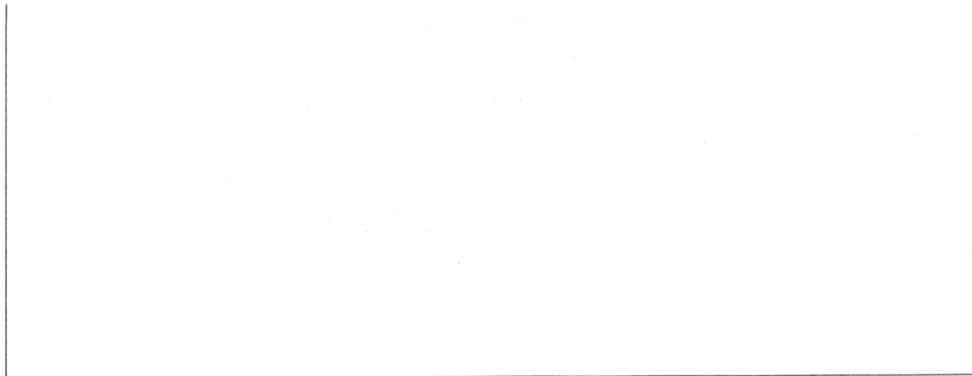
First, although rising wages are obviously great for workers and the overall economy, they can be difficult for low-margin companies that rely on cheap labor—like retail stores. Cashiers and retail salespeople are the two largest job categories in the country, with more than 8 million workers between them, and the median income for both occupations is less than \$25,000 a year. But recently, new minimum-wage laws and a tight labor market have pushed up wages for the poorest workers, squeezing retailers who are already under pressure from Amazon.

Second, clothing stores have declined as consumers shifted their spending away from clothes toward traveling and dining out. Before the Great Recession, people bought a lot of stuff, like homes, furniture, cars, and clothes, as retail grew dramatically in the 1990s. But something big has changed. Spending on clothes is down—its share of total consumer spending has declined by 20 percent this century.

What's up? Travel is booming. Hotel occupancy is booming. Domestic airlines have flown more passengers each year since 2010, and last year U.S. airlines set a record, with 823 million passengers. The rise of restaurants is even more dramatic. Since 2005, sales at "food services and drinking places" have grown twice as fast as all other retail spending. In 2016, for the first time ever, Americans spent more money in restaurants and bars than at grocery stores.

Non-Food Retail vs. Restaurants and Bars: 1992-2016





St. Louis Fed

There is a social element to this, too. Many young people are driven by the experiences that will make the best social media content—whether it's a conventional beach pic or a well-lit plate of glistening avocado toast. Laugh if you want, but these sorts of questions—"what experience will reliably deliver the most popular Instagram post?"—really drive the behavior of people ages 13 and up. This is a big deal for malls, says Barbara Byrne Denham, a senior economist at Reis, a real-estate analytics firm. Department stores have failed as anchors, but better food, entertainment, and even fitness options might bring teens and families back to struggling malls, where they might wander into brick-and-mortar stores that are currently at risk of closing.

* * *

There is no question that the most significant trend affecting brick-and-mortar stores is the relentless march of Amazon and other online retail companies. But the recent meltdown for retail brands is equally about the legacy of the Great Recession, which punished logo-driven brands, put a premium on experiences (particularly those that translate into social media moments), and unleashed a surprising golden age for restaurants.

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Finally, a brief prediction. One of the mistakes people make when thinking about the future is to think that they are watching the final act of the play. Mobile shopping might be the most transformative force in retail—today. But self-driving cars could change retail as much as smartphones.

Once autonomous vehicles are cheap, safe, and plentiful, retail and logistics companies could buy up millions, seeing that cars can be stores and streets are the ultimate real estate. In fact, self-driving cars could make shopping space nearly obsolete in some areas. CVS could have

hundreds of self-driving minivans stocked with merchandise roving the suburbs all day and night, ready to be summoned to somebody's home by smartphone.

A new luxury-watch brand in 2025 might not spring for an Upper East Side storefront, but maybe its autonomous showroom vehicle could circle the neighborhood, waiting to be summoned to the doorstep of a tony apartment building. Autonomous retail will create new conveniences and traffic headaches, require new regulations, and inspire new business strategies that could take even more businesses out of commercial real estate. The future of retail could be even weirder yet.

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About the Author



Derek Thompson is a senior editor at *The Atlantic*, where he writes about economics, labor markets, and the media. He is the author of the book *Hit Makers*.

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CALIFORNIA DOWNTOWN ASSOCIATION

Legislative Report to the Legislative Committee

April 7, 2017

LEGISLATION SUPPORTED BY CDA:

SB 2 (Atkins, D-San Diego) – HEARD IN SENATE APPROPRIATIONS ON 4/3 – PLACED ON THE SUSPENSE FILE.

Would enact the Building Homes and Jobs Act would impose a fee of \$75, not to exceed \$225 per transaction, at the time of recording of specified real estate instruments, papers, or notices, not including those recorded in connection with a transfer subject to the imposition of a documentary transfer tax (property transfers) or transfers of owner-occupied residential real property. After deducting administrative costs incurred by the county recorder, the fee revenues would be sent to the Controller on a quarterly basis for deposit in HCD's Building Homes and Jobs Trust Fund created by the bill. Annual estimated revenues of \$200-\$300m.

AB 1326 (Cooper, D-Elk Grove & Cervantes, D-Corona) – WILL BE HEARD IN ASSEMBLY PUBLIC SAFETY COMMITTEE ON 4/18.

This bill will address the increasing recurrence of theft by changing the threshold for a felony from \$950 for the value of the individual occurrences of a crime --- to the aggregate amount of the crime value in a 1-year period totaling \$950. Should AB 1326 be approved by the Legislature and signed by the Governor, the proposal must be submitted to and approved by the voters of California on the next statewide election.

OPPOSED BY CDA:

No bills to-date

LEGISLATIVE COMMITTEE CONSIDER SUPPORT:

AB 943 (Santiago, D-Los Angeles) – TO BE HEARD IN ASSEMBLY LOCAL GOVERNMENT COMMITTEE.

The bill would require any local measure that curbs, delays, or deters growth or development within a city to now be approved by at least a two-thirds vote. In some jurisdictions, attempts have even been made to block future housing developments. The bill attempts to loosen those binds on legislators some by establishing a statewide concern for the development of housing. In doing so, the measure will limit the abilities of those at the local level to implement development moratoriums or to further stymie statewide efforts to lift Californians out of poverty and into better socio-economic circumstances.



MONITOR & REPORT TO LEGISLATIVE COMMITTEE:

AB 342 (Chiu, D-San Francisco) – TO BE HEARD IN ASSEMBLY PRIVACY & CONSUMER PROTECTION ON 4/18.

The bill establishes a 5-year-pilot program called the “Safer Streets Act 2017,” that gives local transportation authorities in the City of San Jose and the City and County of San Francisco the authority to install automated speed enforcement (ASE) systems in order to protect the safety of cyclists and pedestrians in the two municipalities. The ASE systems must be identified to the drivers and the penalty for speeding would be no more than \$100.

AB 199 (Chu, D-San Jose) – PASSED OUT OF ASSEMBLY LABOR COMMITTEE, TO BE HEARD IN ASSEMBLY APPROPRIATIONS COMMITTEE.

This bill would require private residential projects built on private property, paid for in whole or in part out of public funds, and built pursuant to an agreement with the state or a political subdivision to meet the requirements for projects that are defined as “public works,” thus expanding the types of projects that are subject to prevailing wage.

AB 1515 (Daly, D-Anaheim) – REFERRED TO ASSEMBLY COMMITTEE ON HOUSING & ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT.

The bill would bolster the state’s current Housing Accountability Act by specifying that a housing development or emergency shelter project is deemed consistent with all requirements if there is sufficient evidence that would lead a reasonable person to conclude the project is consistent.

BACKGROUND: The HAA fosters and respects responsible local control by providing that once a local government establishes its planning rules, housing projects that are consistent with those rules receive the reasonable certainty of not being denied or reduced in density unless there are significant health and safety impacts that cannot be mitigated. The HAA’s intent is to provide appropriate certainty to all stakeholders in the local approval process and prevent NIMBYism from successfully pressuring local officials to reject or downsize compliant housing projects.

AB 1506 (Bloom D-Santa Monica, Chiu D-San Francisco, Bonta D-Oakland) – REFERRED TO ASSEMBLY HOUSING COMMITTEE.

The bill would repeal the Costa-Hawkins Rental Housing Act that exempts new construction and single-family homes from local rent control laws and allows for rent increases on subtenants following departure by tenants of rent-controlled tenancies.

BACKGROUND: Costa-Hawkins is the California state law that prohibits municipal rental increase limitations on tenants of rent-controlled units. Given the preemptive effect of Costa-Hawkins, a repeal would leave the regulation of residential rental pricing entirely to local governments and could create opportunities for strict rental control ordinances to be passed.



AB 71 (Chiu, D-San Francisco) – PASSED OUT OF ASSEMBLY HOUSING & COMMUNITY DEVELOPMENT, TO BE HEARD IN ASSEMBLY REVENUE & TAXATION.

Would increase the housing-credit dollar amount that may be allocated for low-income housing projects to \$300 million annually. \$25m of the \$300m of affordable housing money will be set-aside for farmworker housing. \$275m will be for affordable rental for people making 60% AMI and below. This is a low-income tax credit program that will benefit projects that meet this criteria. The bill would generate the \$300m by prohibiting a homeowner from the mortgage interest deduction for taxpayers who own a second home or other property (not intended to apply to rental homes).

SB 35 (Weiner, D-San Francisco) – TO BE HEARD IN SENATE GOVERNANCE & FINANCE COMMITTEE.

This bill creates a streamlined, ministerial approval process for infill developments in localities that have failed to meet their regional housing needs assessment numbers. Under SB 35, cities that are on track to meet their RHNA housing production goals at all income levels will retain full local control over how they approve housing. When cities do not meet their housing obligations, approval of qualified housing projects will be streamlined until cities do meet their goals.

For streamlining to apply, a project must include housing for certain income levels where there is a shortage of production, pay a prevailing wage for construction labor, and meet all objective affordability, density, zoning, historic, and environmental standards outlined in the bill.

The new, streamlined approval process will require localities to approve projects only on the basis of whether the project complies with the objective SB 35 qualifying criteria and pass design review. The streamlined process applies only when unmet income-based categories are addressed. For example, if a city is meeting its market rate housing RHNA goals but not its low income housing goals, streamlining will apply only to those projects that add low income units.

This bill also requires all charter cities to report their annual housing production to HCD, and will require HCD to ensure housing production data is detailed, up-to-date, and publicly accessible on the internet. Currently, general law cities must report their housing production, but charter cities and city/counties are not required by law to do so.

WATCH LIST

SB 166 (Skinner, D-Berkeley) – The bill seeks to ensure no “net loss” in land identified for housing across all income levels as follows:

- Require local governments to re-identify adequate supply of sites to meet their forecasted housing needs on a rolling basis.
- Require local governments, approving a development that resulted in fewer units than projected, to identify additional sites that could accommodate the unmet need by the approved development.
- Rezone land, as necessary, to maintain enough residentially-zoned sites to accommodate unmet housing needs.

This bill would prohibit a city, county, or city and county from permitting or causing its inventory of sites identified in the housing element to be insufficient to meet its remaining unmet share of the regional housing need for lower and moderate-income households. The bill also would expand the definition of “lower residential density” if the local jurisdiction has not adopted a housing element for the current planning period or the adopted housing element is not in substantial compliance, as specified. This bill



would also condition the approval or development containing fewer housing units at each income level than its identified capacity upon identifying sufficient sites or rezones, as prescribed, to ensure no net loss of residential unit capacity. By increasing the duties of local agencies, this bill would create a state-mandated local program.

SB 3 (Beall, D-San Jose) – Would enact the Affordable Housing Bond Act of 2018, which authorizes the sale of \$3 billion in general obligation bonds, upon approval by voters at the November 6, 2018 statewide general election.

SB 8 (Beall, D-San Jose) – Would authorize a court to postpone prosecution of a misdemeanor or a felony punishable in a county jail and place a defendant in a pretrial diversion program if it is determined that the defendant suffers from a mental disorder.

SB 10 (Hertzberg, Van Nuys) – This bill would require the court to release a defendant being held for a misdemeanor offense on his or her own recognizance unless the court makes an additional finding on the record that there is no condition or combination of conditions that would reasonably ensure public safety and the appearance of the defendant if the defendant is released on his or her own recognizance.

AB 30 (Caballero, D-Salinas) – CEQA requires that an action or proceeding to attack, review, set aside, void or annul a determination, finding, or decision of a public agency, as provided, on the grounds of noncompliance with its provisions be brought in accordance with specified law governing administrative mandamus. CEQA requires a court to make specified orders if it finds that any determination, finding, or decision of a public agency has been made without compliance with CEQA, but prohibits a court from enjoining certain projects unless the court makes specified findings.

This bill would similarly prohibit a court from enjoining a qualified strip mall conversion housing projects, as defined, unless the court makes specified findings.

AB 45 (Thurmond, D-Richmond) – Would require the California Housing Finance Agency to administer a program to provide financing assistance to a qualified school district and to a qualified developer for the creation of affordable rental housing for school employees, including teachers.

AB 56 (Holden, D-Pasadena) – This bill would revise the definitions of the terms “economic development facilities” and “public development facilities” for purposes of the act by deleting the prohibition on the financing of housing projects, thereby authorizing the bank to provide financial assistance to a housing project that otherwise meets the definition of “economic development facilities” or “public development facilities.” By expanding the banks’ authority to expend funds in a continuously appropriated fund, the bill would make an appropriation.

AB 59 (Thurmond, D-Richmond) – would direct funds to cities, counties, housing trusts, land trusts and Habitat for Humanity to provide for affordable housing and promotion of homeownership.

AB 72 (Santiago, D-Los Angeles) – This bill would appropriate dollars from the General Fund to the Attorney General to pay for the enforcement of laws relating to housing production, specifically



enforcement against jurisdictions that have failed to adopt a housing element, have violated the Housing Accountability Act, and/or other housing production laws.

AB 73 (Chiu, D-San Francisco) – Would authorize a city, county, or city and county to establish a housing sustainability district and would provide “incentive” dollars to localities that issue permits for residential units within the district.

AB 74 (Chiu, D-San Francisco) – This bill requires the Department of Housing and Community Development (HCD) to establish the Housing for a Healthy California Program (Program) to fund competitive grants to pay for rental assistance for homeless recipients of services from the Whole Person Care (WPC) pilot program, Health Homes, or another locally controlled funding source.

AB 190 (Steinorth, R-Rancho Cucamonga) – This bill would require a lead agency, where an ordinance requiring design review applies to a development project, to approve or disapprove the design of the development project within 30 days of the date that application has been determined to be complete or the date of the certification of the environmental impact report, the date of the adoption of a negative declaration, or the date of a determination that the project is exempt from the California Environmental Quality Act, whichever occurs later. The bill would provide, that if the lead agency has not approved or disapproved the design of the development project within that 30-day period, the design of the project is deemed to be approved on the 31st day.